

*In the opinion of Ice Miller, Indianapolis, Indiana, Bond Counsel, under existing laws, regulations, judicial decisions and rulings, interest on the Bonds (as defined herein) is exempt from income taxation in the State of Indiana. See "TAX MATTERS," and Appendix C.*

**\$32,280,000**  
**INDIANA BOND BANK**  
**TAXABLE SCHOOL SEVERANCE FUNDING BONDS, SERIES 2**

Dated: Date of Delivery

Due as shown herein.

The Indiana Bond Bank Taxable School Severance Funding Bonds, Series 2 (the "Bonds") are issuable only as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). Purchases of beneficial interests in the Bonds will be made in book-entry-only form, in the denomination of \$5,000 and integral multiples thereof. Purchasers of beneficial interests in the Bonds (the "Beneficial Owners") will not receive physical delivery of certificates representing their interests in the Bonds. Interest on the Bonds is payable on January 15 and July 15 of each year commencing January 15, 2003, and such interest, together with the principal of the Bonds, will be paid directly to DTC by Fifth Third Bank, Indiana, as trustee (the "Trustee") under a Trust Indenture dated as of August 15, 2002 (the "Indenture"), as defined and described herein, so long as DTC or its nominee is the registered owner of the Bonds. The Indiana Bond Bank (the "Bond Bank") may provide for payment of interest to any holder of Bonds in amounts aggregating \$1,000,000 or more by wire transfer or other method which is acceptable to the Trustee and the Bondholder. The final disbursement of such payments to the Beneficial Owner of the Bonds will be the responsibility of the DTC Direct Participants and the Indirect Participants, all as defined and more fully described herein under "THE BONDS - Book-Entry-Only System."



**Financial Guaranty Insurance  
Company**

FGIC is a registered service mark used by Financial Guaranty Insurance Company, a private company not affiliated with any U.S. Government agency.

Payment of the principal of and interest on the Bonds when due will be guaranteed under a municipal bond new issue policy to be issued upon the delivery of the Bonds by Financial Guaranty Insurance Company. See "BOND INSURANCE" and Appendix D.

The Bonds are authorized by a resolution adopted by the Board of Directors of the Bond Bank and are issued under and secured by the Indenture, all pursuant to the laws of the State of Indiana (the "State"), particularly Indiana Code Title 5, Article 1.5 (the "Act"), for the purpose of providing funds to purchase general obligations bonds (the "Qualified Obligations") of certain Indiana school corporations (the "Qualified Entities") which are authorized under Indiana law to issue the Qualified Obligations to fund existing unfunded contractual liabilities for retirement or severance payments as of June 30, 2001. The Qualified Obligations are payable by the Qualified Entities from unlimited ad valorem taxes to be collected on all taxable property within the boundaries of the Qualified Entity. The principal of and interest on the Bonds are payable from the proceeds of Qualified Obligation Payments and other moneys held under the Indenture, including funds made available by the Investment Agreement, as defined and described herein.

The Bonds maturing on and after January 15, 2013 are subject to optional redemption prior to maturity on any date on and after July 15, 2012 at the face amount thereof plus accrued interest to the date of redemption.

The Bonds maturing on July 15 of the years 2009 through 2015, July 15 of the year 2018 and January 15 of the year 2023 are subject to mandatory sinking fund redemption. See "THE BONDS - Mandatory Redemption."

The Bonds are payable solely by the Bond Bank from the revenues and other funds of the Bond Bank pledged therefore under the Indenture. Such revenues and funds include payments by the Qualified Entities on their respective Qualified Obligations ("Qualified Obligation Payments"). See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

THE BONDS ARE LIMITED OBLIGATIONS OF THE BOND BANK PAYABLE SOLELY OUT OF THE REVENUES AND FUNDS OF THE BOND BANK PLEDGED THEREFOR UNDER THE INDENTURE, AS MORE FULLY DESCRIBED HEREIN. THE BONDS DO NOT CONSTITUTE A GENERAL OR MORAL OBLIGATION OF THE BOND BANK AND A DEBT SERVICE RESERVE WILL NOT BE MAINTAINED BY THE BOND BANK FOR THE BONDS. THE BONDS DO NOT CONSTITUTE A DEBT, LIABILITY OR LOAN OF THE CREDIT OF THE STATE OF INDIANA (THE "STATE") OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING ANY QUALIFIED ENTITY, UNDER THE CONSTITUTION AND LAWS OF THE STATE OR A PLEDGE OF THE FAITH, CREDIT AND TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING ANY QUALIFIED ENTITY. THE BOND BANK HAS NO TAXING POWER.

The Bonds are being offered by City Securities Corporation and Siebert Brandford Shank & Co., LLC, the Underwriters ("Underwriters") when, as and if issued by the Bond Bank and received by the Underwriters subject to prior sale, withdrawal or modification of the offer without notice, and to the approval of legality by Ice Miller, Indianapolis, Indiana, Bond Counsel. Certain legal matters will be passed on for the Bond Bank by its General Counsel, Barnes & Thornburg, Indianapolis, Indiana, and for the Underwriters by their counsel, Mayer, Brown, Rowe & Maw, Chicago, Illinois. It is expected that the Bonds in definitive form will be available for delivery to DTC in New York, New York, on or about September 10, 2002.

**City Securities Corporation**

**Siebert Brandford Shank & Co., LLC**

**Date: August 30, 2002**

## MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND PRICES

### **\$32,280,000** **INDIANA BOND BANK** **TAXABLE SCHOOL SEVERANCE FUNDING BONDS, SERIES 2**

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price</u>
7/15/03	\$445,000	1.980%	100.00%
1/15/04	420,000	2.210	100.00
7/15/04	440,000	2.540	100.00
1/15/05	450,000	2.740	100.00
7/15/05	725,000	2.910	100.00

\$6,375,000 Term Bonds Maturing July 15, 2009

Interest Rate: 4.00%; Price: 100.00%

\$1,635,000 Term Bonds Maturing July 15, 2010

Interest Rate: 4.82%; Price: 100.00%

\$1,580,000 Term Bonds Maturing July 15, 2011

Interest Rate: 5.00%; Price: 100.00%

\$1,665,000 Term Bonds Maturing July 15, 2012

Interest Rate: 5.12%; Price: 100.0%

\$1,610,000 Term Bonds Maturing July 15, 2013

Interest Rate: 5.17%; Price: 100.00%

\$1,570,000 Term Bonds Maturing July 15, 2014

Interest Rate: 5.22%; Price: 100.00%

\$1,655,000 Term Bonds Maturing July 15, 2015

Interest Rate: 5.27%; Price: 100.00%

\$5,370,000 Term Bonds Maturing July 15, 2018

Interest Rate: 5.47%; Price: 100.00%

\$8,340,000 Term Bonds Maturing January 15, 2023

Interest Rate: 5.72%; Price: 100.00%

NO DEALER, BROKER, SALESPERSON OR OTHER PERSON HAS BEEN AUTHORIZED BY THE BOND BANK OR BY THE UNDERWRITERS TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS OFFICIAL STATEMENT, AND, IF GIVEN OR MADE, SUCH OTHER INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY ANY OF THE FOREGOING. THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY, AND THERE SHALL NOT BE ANY SALE OF ANY OF THE SECURITIES DESCRIBED HEREIN BY ANY PERSON IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL FOR SUCH PERSON TO MAKE SUCH OFFER, SOLICITATION OR SALE. THE INFORMATION SET FORTH HEREIN HAS BEEN PROVIDED BY THE BOND BANK AND OTHER SOURCES WHICH ARE BELIEVED TO BE RELIABLE. THE INFORMATION PROVIDED BY SUCH OTHER SOURCES IS NOT GUARANTEED AS TO ACCURACY OR COMPLETENESS. THE INFORMATION AND EXPRESSIONS OF OPINION HEREIN ARE SUBJECT TO CHANGE WITHOUT NOTICE AND NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE BOND BANK OR ANY OTHER PERSON SUBSEQUENT TO THE DATE AS OF WHICH SUCH INFORMATION IS PRESENTED.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET, AND SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

UPON ISSUANCE, THE BONDS WILL NOT BE REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED OR ANY STATE SECURITIES LAW. IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE INDIANA BOND BANK AND THE TERMS OF THE OFFERING, INCLUDING THE MERIT AND RISK INVOLVED. THE BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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## **OFFICIAL STATEMENT**

**\$32,280,000**

### **Indiana Bond Bank Taxable School Severance Funding Bonds, Series 2**

## **INTRODUCTION**

The purpose of this Official Statement, including the cover page and the appendices, is to set forth certain information concerning the issuance and sale by the Indiana Bond Bank (the “Bond Bank”) of its \$32,280,000 aggregate principal amount of Taxable School Severance Funding Bonds, Series 2 (the “Bonds”). The Bonds are authorized by a resolution adopted by the Board of Directors of the Bond Bank on August 13, 2002, and are issued under and secured by a Trust Indenture dated as of August 15, 2002 (the “Indenture”), between the Bond Bank and Fifth Third Bank, Indiana, as trustee, registrar and paying agent (the “Trustee”), all pursuant to the laws of the State of Indiana (the “State”), particularly Indiana Code, Title 5, Article 1.5 (the “Act”).

### **The Program**

The Bond Bank has established a program (the “Program”) to purchase general obligation bonds (the “Qualified Obligations”) issued by certain Indiana school corporations (the “Qualified Entities”), which are authorized under Indiana law to issue the Qualified Obligations to fund existing unfunded contractual liabilities for retirement or severance payments (as of June 30, 2001), which constitute payments anticipated to be required to be made to employees of the Qualified Entity upon or after the termination of their employment by the Qualified Entity under an existing or previous employment agreement. The proceeds from the sale of the Bonds will be used (i) to purchase the Qualified Obligations of the Qualified Entities, (ii) to pay the premium on the municipal bond insurance policy securing the payment of principal of and interest on the Bonds when due, (iii) to pay a portion of the interest due on the Bonds on January 15, 2003 and (iv) to pay all or a portion of the costs of issuance of the Bonds (other than Underwriters’ discount). As of the date of the issuance of the Bonds, the Bond Bank will have entered into purchase agreements (each, a “Purchase Agreement” and collectively, the “Purchase Agreements”) governing the terms for the purchase of the Qualified Obligations of the Qualified Entities. See “TERMS OF PURCHASE AGREEMENTS” in Appendix E.

### **Security and Sources of Payment for the Bonds**

The Bonds will be issued under and secured by the Indenture. The Bonds do not constitute a general or moral obligation of the Bond Bank. The Bond Bank will not maintain a debt service reserve for the Bonds and the provisions of Indiana Code 5-1.5-5, pertaining to a moral obligation of the Indiana General Assembly to replenish a debt service reserve, do not apply to the Bonds. Neither the faith, credit nor taxing power of the State or any political subdivision thereof, including the Qualified Entities, is pledged to the payment of the principal of or interest on the Bonds. The Bonds are not a debt, liability, or loan of the credit of the State or any political subdivision thereof, including the Qualified Entities. The Bond Bank has no taxing

power and has only those powers and sources of revenue set forth in the Act. The Bonds are issued and secured separately from all other obligations issued by the Bond Bank.

The Bonds are secured by the pledge of the Trust Estate established under the Indenture (the “Trust Estate”), which includes (a) all right, title and interest of the Bond Bank in, to and under the Purchase Agreements and the Qualified Obligations; (b) all right, title and interest in any and all other property, real, personal or mixed, from time to time conveyed, mortgaged, pledged, assigned or transferred as additional security under the Indenture by the Bond Bank or by anyone on behalf of the Bond Bank; (c) the proceeds from the sale of the Bonds; and (d) all revenues held in the Funds and Accounts under the Indenture. All Bonds will be secured equally and ratably by all of the foregoing. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS.”

Payment of the principal of and interest on the Bonds when due will be guaranteed under a municipal bond new issue policy to be issued, upon the delivery of the Bonds, by Financial Guaranty Insurance Company. See “BOND INSURANCE” and Appendix D.

The principal source of payment on the Bonds will be the principal and interest payments received by the Bond Bank from the Qualified Entities under the Qualified Obligations. The principal of and interest on the Qualified Obligations are payable out of certain ad valorem property tax revenues as further described under the caption, “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Provisions for Payment of the Qualified Obligations.”

It is anticipated that the proceeds of the Bonds will be used to purchase Qualified Obligations under the Program of the Qualified Entities described in, and in the amounts set forth in, Appendix A.

### **The Bond Bank**

The Bond Bank is a separate body corporate and politic, constituting an instrumentality of the State for the public purposes set forth in the Act. The Bond Bank is not an agency of the State, but is separate from the State in its corporate and sovereign capacity and has no taxing power. The Bond Bank is governed by a Board of seven Directors, including the Treasurer of the State, who serves as Chairman Ex Officio, and the Director of the State Department of Financial Institutions, who serves as a Director Ex Officio and five additional Directors, each appointed by the Governor of the State.

Under separate trust indentures and other instruments authorized under the Act, the Bond Bank has previously issued and had outstanding as of September 1, 2002, an aggregate principal amount of approximately \$1,992,200,000 in separate program obligations. Additionally, as of the date of this Official Statement, the Bond Bank is considering undertaking other types of financing for qualified entities for purposes authorized by and in accordance with the procedures set forth in the Act. The obligations issued by the Bond Bank in connection with any and all such financings, if any, will be secured separately from the Bonds and will not constitute Bonds under the Indenture or for purposes of this Official Statement.

## **The Act**

Pursuant to the Act, the purpose of the Bond Bank is to assist “qualified entities,” defined in the Act to include political subdivisions, as defined in Indiana Code 36-1-2-13, leasing bodies, as defined in Indiana Code 5-1-1-1(a), any commissions, authorities or authorized bodies of any qualified entity, and any organizations, associations or trusts with members, participants or beneficiaries that are all individually qualified entities. The Bond Bank provides such assistance through programs of, among other things, purchasing the bonds or evidences of indebtedness of such qualified entities. Under the Act, “qualified entities” include entities such as cities, towns, counties, school corporations, library corporations, special taxing districts and nonprofit corporations and associations which lease facilities or equipment to such entities. Each of the school corporations described in Appendix A is a “qualified entity” within the meaning of the Act.

## **The Official Statement; Additional Information**

This Official Statement speaks only as of its date, and the information contained herein is subject to change.

The information contained under the caption “INTRODUCTION” is qualified by reference to this entire Official Statement, including the Appendices hereto. This introduction is only a brief description and a full review should be made of this entire Official Statement, including the appendices hereto, as well as the documents summarized or described in this Official Statement. The summaries of and references to all documents, statutes and other instruments referred to in this Official Statement do not purport to be complete and are qualified in their entirety by reference to the full text of each such document, statute or instrument. Certain terms used in this Official Statement are defined in Appendix B.

Information contained in this Official Statement with respect to the Bond Bank and the Qualified Entities and copies of the Indenture and the forms of Purchase Agreements may be obtained from the Indiana Bond Bank, 2980 Market Tower, 10 West Market Street, Indianapolis, Indiana 46204. The Bond Bank’s telephone number is (317) 233-0888.

It is the Bond Bank’s current policy to provide its financial statements to the holders of its obligations, including the Bonds, upon written request. In addition, certain other information concerning the Bond Bank is available to the Trustee and holders of the Bonds pursuant to the Indenture. See “CONTINUING DISCLOSURE.”

## **SECURITY AND SOURCES OF PAYMENT FOR THE BONDS**

The Bonds are limited obligations of the Bond Bank payable only out of the Trust Estate. The Indenture creates a continuing pledge of and lien upon the Trust Estate to secure the full and final payment of the principal of, and interest on, all of the Bonds. The Bonds do not constitute a debt, liability or loan of the credit of the State or any political subdivision thereof, including any Qualified Entity, under the constitution of the State or a pledge of the faith, credit and taxing power of the State or any political subdivision thereof, including any Qualified Entity. The Bond Bank has no taxing power. The Bonds do not constitute a general or moral obligation of the Bond Bank. The Bond Bank will not maintain a debt service reserve for the Bonds and the

provisions of Indiana Code 5-1.5-5 do not apply to the Bonds. Indiana Code 5-1.5-5 pertains to the requirement that, if there is a deficiency in a debt service reserve fund securing obligations of the Bond Bank, the Chairman of the Bond Bank must certify the amount of such a deficiency to the Indiana General Assembly for its consideration on whether to appropriate funds to restore the debt service reserve fund to its requirement. However, no debt service reserve fund has been established under the Indenture, and, therefore, the provisions of Indiana Code 5-1.5-5 do not apply to the Bonds.

Under the Indenture, the Bonds are secured by a pledge to the Trustee of the Trust Estate, which includes (a) all right, title and interest of the Bond Bank in, to and under the Qualified Obligations and the Purchase Agreements; (b) all right, title and interest in any and all other property, real, personal or mixed, from time to time conveyed, mortgaged, pledged, assigned or transferred as additional security under the Indenture by the Bond Bank or by anyone on behalf of the Bond Bank; (c) the proceeds from the sale of the Bonds; and (d) all revenues held in the Funds and Accounts under the Indenture. The payments with respect to the Qualified Obligations have been structured, as of the date of issuance of the Bonds, to be sufficient along with earnings thereon, and other money in the Funds and Accounts under the Indenture and the earnings thereon, to pay the principal of and interest on the Bonds when due.

### **The Qualified Entities and the Qualified Obligations**

From the proceeds of the Bonds, the Bond Bank intends to purchase and, upon purchase, will pledge to the Trustee the Qualified Obligations. The Qualified Obligations issued by the Qualified Entities and purchased by the Bond Bank under the Program are general obligation bonds of the Qualified Entities issued to fund existing unfunded contractual liabilities for retirement or severance payments (as of June 30, 2001), which constitute payments anticipated to be required to be made to employees of the Qualified Entity upon or after the termination of their employment by the Qualified Entity under an existing or previous employment agreement. See “THE PROGRAM.”

The proceeds of the Bonds are anticipated to be used by the Bond Bank to purchase the Qualified Obligations of the respective Qualified Entities described in, and in the amounts set forth in, Appendix A hereto. Certain information related to such Qualified Entities is set forth in Appendix A. As of the date of the issuance of the Bonds, the Bond Bank will have entered into Purchase Agreements to purchase the Qualified Obligations of each Qualified Entity.

### **Provisions for Payment of the Qualified Obligations**

The Qualified Obligations are general obligations of the Qualified Entity, payable out of unlimited ad valorem property tax revenues to be collected on all of the taxable property within the boundaries of the respective Qualified Entities. Indiana Code 20-5-4-10 provides for the establishment by the Indiana Department of Local Government Finance, formerly the State Board of Tax Commissioners (the “Department of Local Government Finance”), of an adequate local school corporation levy to meet the payments of its general obligation bonds and lease rental obligations and provides for such payments if the Qualified Entity cannot meet the payment obligation.



Prior to the end of each calendar year, the Department of Local Government Finance reviews the bond and lease rental levies of each Qualified Entity that are payable in the next succeeding year, and the appropriations from such levies. In the event such levies and appropriations of the Qualified Entity are not sufficient to pay the debt service obligations, the Department of Local Government Finance will establish bond and lease rental levies and appropriations which are sufficient to pay such debt service obligations. Upon the failure of any Qualified Entity to pay any of its debt service obligations during the calendar year when due, the State Treasurer, upon being notified of such failure to pay, will make such payment from the funds of the State to the extent, but not in excess, of any amounts appropriated by the General Assembly for the calendar year for distribution to such Qualified Entity from State funds, deducting such payment from amounts thus appropriated.

### **Procedures for Property Assessment, Tax Levy and Collection**

The Qualified Obligations of each Qualified Entity are payable from special unlimited ad valorem property taxes required by law to be levied by or on behalf of that Qualified Entity. Real and personal property in the State is assessed each year as of March 1. On or before August 1 each year, the County Auditor must submit to each underlying unit a statement of (i) the estimated assessed value of the unit as of March 1 of that year, and (ii) an estimate of the taxes to be distributed to the unit during the last six months of the current budget year. The estimated value is based on property tax lists delivered to the County Auditor by the Township Assessors in Marion County and the County Assessor in all other counties on or before July 15.

The estimated value is used when the governing body of a local taxing unit meets to establish its budget for the next fiscal year (January 1 through December 31), and to set tax rates and levies. By statute, the budget, tax rate and levy must be established no later than the last meeting of the fiscal body in September for Marion County; no later than September 30 for all second class cities; and no later than September 20 for all other units. The budget, tax levy and tax rate are subject to review and revision by the Department of Local Government Finance which can lower, but not raise, the tax levy or tax rate unless the levy proposed by the Qualified Entity is not sufficient to make its payments. The Department of Local Government Finance must complete its actions on or before February 15.

On or before March 15, the County Auditor prepares and delivers the final abstract of property taxes to the State Auditor. The County Treasurer mails tax statements the following April (but mailing may be delayed due to reassessment or other factors). Property taxes are due and payable to the County Treasurer in two installments on May 10 and November 10. If an installment of taxes is not completely paid on or before the due date, a penalty of 10% of the amount delinquent is added to the amount due. On May 10 and November 10 of each year thereafter, an additional penalty equal to 10% of any taxes remaining unpaid is added. The penalties are imposed only on the principal amount of the delinquency. Property becomes subject to tax sale procedures after 15 months of delinquency. The County Auditor distributes property taxes collected to the various taxing units on or about the July 1 or January 1 after the due date of the tax payment.

Pursuant to State law, real property is valued for assessment purposes at its “true tax value” as defined in the 2002 Real Property Assessment Manual adopted by the Department of

Local Government Finance (the “Manual”), and as interpreted in the rules and regulations of the Department of Local Government Finance, including the 2002 Real Property Assessment Guidelines, Version A (the “Guidelines”) and the Real Property Assessment Rule, 50 IAC 2.3. The Manual defines “true tax value” as “the market value in use of property for its current use, as reflected by the utility received by the owner or a similar user from that property.” The Manual permits assessing officials in each county to choose any acceptable mass appraisal method to determine true tax value, taking into consideration the ease of administration and the uniformity of the assessments produced by that method. The Guidelines were adopted to provide assessing officials with an acceptable appraisal methodology, although the Manual makes it clear that assessing officials are free to select from any number of appraisal methods, provided that they are capable of producing accurate and uniform values throughout the jurisdiction and across all classes of property. The Manual specifies the standards for accuracy and validation that the Department of Local Government Finance will use to determine the acceptability of any alternate appraisal method.

“Net Assessed Value” or “Taxable Value” represents the “Gross Assessed Value” less certain deductions for mortgages, veterans, the aged, the blind, economic revitalization, resource recovery systems, rehabilitated residential property, solar energy systems, wind power devices, coal conservation systems, hydroelectric systems, geothermal devices, and tax-exempt property. The “Net Assessed Value” or “Taxable Value” is the value used for taxing purposes in the determination of tax rates.

If a change in assessed value occurs, a written notification is sent by either the township assessor or the County Board of Review to the affected property owner. Upon notification, if the owner wishes to appeal this action, the owner may file a petition requesting a review of the action. This petition must be filed with the County Assessor within 45 days after the written notification was mailed. While the appeal is pending, any taxes on real property that becomes due on the property in question must be paid in an amount based on the immediately preceding year's assessment or it may be paid based on the amount that is billed.

Indiana Code 6-1.1-21-5 provides each taxpayer with a property tax credit in an amount equal to sum of the following: (a) sixty percent (60%) of a taxpayer's tax liability in a calendar year for taxes imposed by a school corporation for its general fund for a stated assessment year on all real and personal property; (b) approximately twenty percent (20%) of a taxpayer's tax liability for a stated assessment year for a total county tax levy (less sixty percent (60%) of the levy for the general fund of a school corporation that is part of the total county tax levy) on real property; (c) and approximately twenty percent (20%) of a taxpayer's tax liability for a stated assessment year for a total county tax levy (less sixty percent (60%) of the levy for the general fund of a school corporation that is part of the total county tax levy) on tangible personal property other than business personal property.

On December 4, 1998, the Indiana Supreme Court affirmed in part and reversed in part a ruling by the Indiana Tax Court that the true tax value method of valuing property for purposes of levying property taxes are unconstitutional. *Town of St. John v. State Board of Tax Commissioners*, 702 N.E.2d 1034 (Ind. 1998). The Indiana Supreme Court ruled that the true tax value method is constitutional but the cost schedules used by the State Board of Tax Commissioners were unconstitutional. This ruling affects only the valuation method and not the

ability of the Qualified Entity to levy an unlimited property tax to pay debt service. On May 31, 2000, the Indiana Tax Court ordered the State Board of Tax Commissioners to adopt the new assessment regulations by June 1, 2001 and to complete reassessment under those regulations by March 1, 2002. The State Board of Tax Commissioners (now the Department of Local Government Finance) published the new assessment rules, which were effective June 22, 2001 and reassessment is now under way. Neither the Bond Bank nor any Qualified Entity can predict the impact on property tax collections, or the timing of, future judicial actions in this case, or legislation, regulations or rulings enacted to implement this ruling or property tax reform in general.

### **Enforcement of Qualified Obligations**

As the owner of the Qualified Obligations, the Bond Bank has available to it all remedies available to owners or holders of securities issued by the Qualified Entities. The Act provides that, upon the sale and delivery of any Qualified Obligations to the Bond Bank, the Qualified Entity is deemed to have agreed that all statutory defenses to nonpayment are waived in the event that such Qualified Entity fails to pay principal of, or interest on, such Qualified Obligations when due.

### **BOND INSURANCE**

Concurrently with the issuance of the Bonds, Financial Guaranty Insurance Company ("Financial Guaranty") will issue its Municipal Bond New Issue Insurance Policy (the "Policy") for the Bonds described in the Policy (as used under the heading, the "Bonds"). The Policy unconditionally guarantees the payment of that portion of the principal of and interest on the Bonds which has become due for payment, but shall be unpaid by reason of nonpayment by the Bond Bank. Financial Guaranty will make such payments to State Street Bank and Trust Company, N.A., or its successor as its agent (the "Fiscal Agent"), on the later of the date on which such principal and interest is due or on the business day next following the day on which Financial Guaranty shall have received telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from an owner of Bonds or the Paying Agent of the nonpayment of such amount by the Bond Bank. The Fiscal Agent will disburse such amount due on any Bond to its owner upon receipt by the Fiscal Agent of evidence satisfactory to the Fiscal Agent of the owner's right to receive payment of the principal or interest (as applicable) due for payment and evidence, including any appropriate instruments of assignment, that all of such owner's rights to payment of such principal or interest (as applicable) shall be vested in Financial Guaranty. The term "nonpayment" in respect of a Bond includes any payment of principal or interest (as applicable) made to an owner of a Bond which has been recovered from such owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

The Policy is non-cancelable and the premium will be fully paid at the time of delivery of the Bonds. The Policy covers failure to pay principal of the Bonds on their respective stated maturity dates or dates on which the same shall have been duly called for mandatory sinking fund redemption, and not on any other date on which the Bonds may have been otherwise called

for redemption, accelerated or advanced in maturity, and covers the failure to pay an installment of interest on the stated date for its payment.

This Official Statement contains a section regarding the ratings assigned to the Bonds and reference should be made to such section for a discussion of such ratings and the basis for their assignment to the Bonds. Reference should be made to the description of the Bond Bank for a discussion of the ratings, if any, assigned to the Bond Bank's outstanding parity debt that is not secured by credit enhancement.

The Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

Financial Guaranty is a wholly-owned subsidiary of FGIC Corporation (the "Corporation"), a Delaware holding company. The Corporation is a subsidiary of General Electric Capital Corporation ("GE Capital"). Neither the Corporation nor GE Capital is obligated to pay the debts of or the claims against Financial Guaranty. Financial Guaranty is a monoline financial guaranty insurer domiciled in the State of New York and subject to regulation by the State of New York Insurance Department. As of March 31, 2002, the total capital and surplus of Financial Guaranty was approximately \$1.03 billion. Financial Guaranty prepares financial statements on the basis of both statutory accounting principles and generally accepted accounting principles. Copies of such financial statements may be obtained by writing to Financial Guaranty at 125 Park Avenue, New York, New York 10017, Attention: Communications Department (telephone number: 212-312-3000) or to the New York State Insurance Department at 25 Beaver Street, New York, New York 10004-2319, Attention: Financial Condition Property/Casualty Bureau (telephone number: 212-480-5187).

## **THE PROGRAM**

### **General**

Age discrimination laws, the rapid growth of many school corporations and market-driven increases in teachers salaries have caused significant increases with respect to the existing unfunded contractual retirement or severance liability of school corporations in the State. The contractual retirement or severance liability of a school corporation means the payments anticipated to be required to be made to employees of the school corporation upon or after the termination of their employment by the school corporation under an existing or previous employment agreement.

As a solution to this problem, the General Assembly enacted Indiana Code 20-5-4-1.7, legislation authorizing school corporations to issue general obligation bonds to implement solutions to contractual retirement or severance liability. These bonds are payable out of unlimited ad valorem taxes to be collected on the taxable property within the boundaries of the school corporation. The school corporation's authority to issue such bonds is subject to the following limitations: (i) the school corporation may issue such bonds only one time and the bonds have to be issued before December 31, 2003; (ii) the solution to which the bonds are contributing must be reasonably expected to reduce the school corporation's existing unfunded contractual liability for retirement or severance payments, as of June 30, 2001; (iii) the amount

of bonds that may be issued for the purpose described above may not exceed two percent of the total assessed valuation of property in the school corporation; and (iv) each year that a debt service levy is needed to satisfy the payment obligations on the bonds, the school corporation will reduce its total property tax levy for the school corporation's transportation, capital projects, or art association and historical society funds in an amount equal to the property tax levy needed for debt service.

In order to facilitate the implementation of solutions to the contractual retirement or severance liability by the school corporations, the Bond Bank has established the Program, pursuant to which it will issue its bonds, including the Bonds, and use the proceeds to purchase pools of bonds issued by school corporations, including the Qualified Obligations.

### **Program Participation and Borrowing Limits**

To be considered for participation in the Program, each Qualified Entity has submitted an application to the Bond Bank. Application information and data supplied by each Qualified Entity seeking to participate in the Program included among other things the following: the historical and estimated cash flow data; a list of the ten largest taxpayers; tax collection history; historical and projected budget and levy information; and general economic and demographic information and data.

Upon receipt of applications for participation in the Program, each applying Qualified Entity was analyzed to determine, consistent with the purposes of the Bond Bank, whether a Qualified Entity would be permitted to participate in the Program. Such analysis consisted of an internal financial review undertaken by the Bond Bank with the assistance of Municipal Consultants, as financial advisor to the Bond Bank. The Qualified Entities described in Appendix A have applied for participation in the Program, have been analyzed by the Bond Bank and its financial advisor and have been approved for participation in the Program by the Board of Directors of the Bond Bank.

Based on documentation and estimates supplied by a Qualified Entity at or prior to the time of the issuance of the Bonds, the Bond Bank's financial advisor has performed certain computations to arrive at the maximum amount which a Qualified Entity is authorized to borrow from the Bond Bank under the Program. For each Qualified Entity, such maximum amount may not exceed two percent of the total assessed valuation of property within the boundaries of the Qualified Entity.

Each Qualified Entity will be required to represent and warrant certain matters to the Bond Bank in order to be eligible to participate in the Program. See "TERMS OF PURCHASE AGREEMENTS" in Appendix E.

### **Refunding Bonds**

The Bond Bank may issue Refunding Bonds ("Refunding Bonds") to refund all or any part of the Bonds outstanding. Refunding Bonds will be issued in a principal amount sufficient, together with other moneys available therefore, to accomplish such refunding and to make such deposits required by the provisions of the Act, the Indenture and any Supplemental Indenture authorizing the issuance of the Refunding Bonds.

## **RISK FACTORS**

Purchasers of the Bonds are advised of certain risk factors with respect to the payment of the Qualified Obligations by the Qualified Entities, and payment of the Bonds. This discussion is not intended to be all-inclusive, and other risks may also be present.

The ability of the Bond Bank to pay principal of, and interest on, the Bonds depends upon the receipt by the Bond Bank of payments pursuant to the Qualified Obligations, including interest at the rates provided therein, from all Qualified Entities participating in the Program which are obligated to make such payments to the Bond Bank, together with earnings on the amounts in the Funds and Accounts sufficient to make such payments. The Bond Bank will not maintain a debt service reserve for the Bonds and the provisions of Indiana Code 5-1.5-5 do not apply to the Bonds. Indiana Code 5-1.5-5 pertains to the requirement that, if there is a deficiency in a debt service reserve fund securing obligations of the Bond Bank, the Chairman of the Bond Bank must certify the amount of such a deficiency to the Indiana General Assembly for its consideration on whether to appropriate funds to restore the debt service reserve fund to its requirement.

There is no source of funds available to make up for any deficiencies in the event of one or more defaults by one or more Qualified Entities in such payments on the Qualified Obligations. There can be no representation or assurance that all of the Qualified Entities participating in the Program will receive sufficient taxes or other revenues or otherwise have sufficient funds available to make their required payments on the Qualified Obligations. The Qualified Entities are required by law to levy a tax sufficient to pay debt service on their respective Qualified Obligations, although the receipt of such revenues by any Qualified Entity is subject to, among other things, future economic conditions, actions by creditors and other conditions which are variable and not certain of prediction. For a description of procedures for providing for the payment of Qualified Obligations, see the captions "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Provisions for Payment of the Qualified Obligations" and "THE PROGRAM."

The remedies available to the Trustee, to the Bond Bank or to the owners of the Bonds upon the occurrence of an Event of Default under the Indenture or under the terms of any of the Qualified Obligations purchased by the Bond Bank and the related Purchase Agreement are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically Title 11 of the United States Code (the United States Bankruptcy Code), the remedies provided in the Indenture and under the Purchase Agreements and the Qualified Obligations may not be readily available or may be limited.

## **THE BONDS**

### **General Description**

The Bonds are issuable under the Indenture as fully registered bonds in denominations of \$5,000 or any integral multiple thereof. Each Bond will carry an original issue date of September 10, 2002, and will bear interest from the most recent Interest Payment Date on which

interest was paid prior to the date of authentication of such Bond, unless the Bond is authenticated after a Record Date but prior to the related Interest Payment Date. Bonds authenticated after a Record Date but prior to the related Interest Payment Date will bear interest from the related Interest Payment Date.

The Bonds will be issued in the aggregate principal amount of \$32,280,000, and will mature and bear interest as set forth on the inside cover page of this Official Statement.

For so long as the Bonds are registered in the name of The Depository Trust Company (“DTC”) or its nominee, payments of the principal of, premium, if any, and interest on the Bonds will be paid only to DTC or its nominee. Interest on the Bonds will be paid on each Interest Payment Date by wire transfer to DTC or its nominee. Principal will be paid to DTC or its nominee upon presentation and surrender of the Bonds at the principal office of the Trustee. Neither the Bond Bank nor the Trustee will have any responsibility for the Beneficial Owner’s receipt from DTC or its nominee, or from any DTC Direct Participant or Indirect Participant, of any payments of principal or interest on the Bonds. See “THE BONDS – Book-Entry-Only System.”

If the Bonds are no longer registered in the name of DTC or its nominee, or any other clearing agency, interest on the Bonds will be payable semiannually on January 15 and July 15 of each year, commencing on the first Interest Payment Date after the Bonds are no longer so registered by check issued by the Paying Agent dated the due date and mailed one Business Day prior to each Interest Payment Date to the registered Owners as of the close of business on the most recent Record Date or by wire transfer to Owners of \$1,000,000 or more in principal amount of the Bonds upon written request of such owners. Principal will be payable on the maturity date of such Bond upon presentation of the Bond at the principal corporate trust office of the Trustee.

### **Optional Redemption**

The Bonds maturing on and after January 15, 2013 are subject to optional redemption prior to maturity on any date on and after July 15, 2012 at the face amount thereof plus accrued interest to the date of redemption.

### **Mandatory Redemption**

The Bonds maturing on July 15, 2009 are subject to mandatory sinking fund redemption prior to maturity at a price equal to the principal amount thereof, but without premium, plus accrued interest to the redemption date, on the dates indicated below:

<u><b>Date</b></u>	<u><b>Principal Amount</b></u>
January 15, 2006	\$745,000
July 15, 2006	750,000
January 15, 2007	785,000
July 15, 2007	785,000

January 15, 2008	810,000
July 15, 2008	820,000
January 15, 2009	835,000
July 15, 2009	845,000

The Bonds maturing on July 15, 2010 are subject to mandatory sinking fund redemption prior to maturity at a price equal to the principal amount thereof, but without premium, plus accrued interest to the redemption date, on the dates indicated below:

<u>Date</u>	<u>Principal Amount</u>
January 15, 2010	\$870,000
July 15, 2010	765,000

The Bonds maturing on July 15, 2011 are subject to mandatory sinking fund redemption prior to maturity at a price equal to the principal amount thereof, but without premium, plus accrued interest to the redemption date, on the dates indicated below:

<u>Date</u>	<u>Principal Amount</u>
January 15, 2011	\$780,000
July 15, 2011	800,000

The Bonds maturing on July 15, 2012 are subject to mandatory sinking fund redemption prior to maturity at a price equal to the principal amount thereof, but without premium, plus accrued interest to the redemption date, on the dates indicated below:

<u>Date</u>	<u>Principal Amount</u>
January 15, 2012	\$825,000
July 15, 2012	840,000

The Bonds maturing on July 15, 2013 are subject to mandatory sinking fund redemption prior to maturity at a price equal to the principal amount thereof, but without premium, plus accrued interest to the redemption date, on the dates indicated below:

<u>Date</u>	<u>Principal Amount</u>
January 15, 2013	\$860,000
July 15, 2013	750,000



The Bonds maturing on July 15, 2014 are subject to mandatory sinking fund redemption prior to maturity at a price equal to the principal amount thereof, but without premium, plus accrued interest to the redemption date, on the dates indicated below:

<b><u>Date</u></b>	<b><u>Principal Amount</u></b>
January 15, 2014	\$780,000
July 15, 2014	790,000

The Bonds maturing on July 15, 2015 are subject to mandatory sinking fund redemption prior to maturity at a price equal to the principal amount thereof, but without premium, plus accrued interest to the redemption date, on the dates indicated below:

<b><u>Date</u></b>	<b><u>Principal Amount</u></b>
January 15, 2015	\$825,000
July 15, 2015	830,000

The Bonds maturing on July 15, 2018 are subject to mandatory sinking fund redemption prior to maturity at a price equal to the principal amount thereof, but without premium, plus accrued interest to the redemption date, on the dates indicated below:

<b><u>Date</u></b>	<b><u>Principal Amount</u></b>
January 15, 2016	\$865,000
July 15, 2016	875,000
January 15, 2017	910,000
July 15, 2017	930,000
January 15, 2018	960,000
July 15, 2018	830,000

The Bonds maturing on January 15, 2023 are subject to mandatory sinking fund redemption prior to maturity at a price equal to the principal amount thereof, but without premium, plus accrued interest to the redemption date, on the dates indicated below:

<u><b>Date</b></u>	<u><b>Principal Amount</b></u>
January 15, 2019	\$850,000
July 15, 2019	875,000
January 15, 2020	895,000
July 15, 2020	925,000
January 15, 2021	950,000
July 15, 2021	980,000
January 15, 2022	1,005,000
July 15, 2022	1,035,000
January 15, 2023	825,000

The Trustee is required to credit against the mandatory sinking fund requirement for Bonds maturing July 15 in the years 2009 through 2015, July 15 in the year 2018 and January 15 in the year 2023, as set forth above, any Bonds of such maturity delivered to the Trustee for cancellation or purchased for cancellation by the Trustee and canceled by the Trustee and not theretofore applied as a credit against any redemption obligation. Each Bond of such maturity so delivered or canceled will be credited by the Trustee at one hundred percent (100%) of the principal amount thereof against the mandatory sinking fund obligation on such mandatory redemption date. Any amount in excess of such amount will be credited to future redemption obligations, and the principal amount of Bonds of such maturity to be redeemed by operation of the mandatory sinking fund requirements will be accordingly reduced; provided, however, the Trustee will only credit such Bonds to the extent they are received on or before 45 days preceding the applicable mandatory redemption date as set forth above.

### **Notice of Redemption**

Notice of any redemption, identifying the Bonds to be redeemed, will be given by the Trustee at least 30 days but not more than 45 days prior to the Redemption Date by mailing a copy of the redemption notice by registered or certified mail to the registered Owner of each Bond to be redeemed at the address shown on the Bond Register.

For so long as the Bonds are registered in the name of DTC or its nominee, the Trustee will send notices of redemption of Bonds only to DTC or its nominee, in accordance with the preceding paragraph. Neither the Bond Bank nor the Trustee will have any responsibility for any Beneficial Owner's receipt from DTC or its nominee, or from any DTC Direct Participant or Indirect Participant, of any notices of redemption. See "THE BONDS – Book-Entry-Only System."

## **Redemption Payments**

Prior to the date fixed for redemption, there must be on deposit with the Trustee sufficient funds to pay the redemption price of the Bonds subject to redemption, together with the accrued interest on the Bonds to the redemption date. After the redemption date, if sufficient funds have been deposited with the Trustee, interest will cease to accrue on the Bonds that have been called for redemption.

For so long as the Bonds are registered in the name of DTC or its nominee, redemption payments on the Bonds will be paid by the Trustee only to DTC or its nominee, in accordance with the preceding paragraph. Neither the Bond Bank nor the Trustee will have any responsibility for any Beneficial Owner's receipt from DTC or its nominee, or from any DTC Direct Participant or Indirect Participant, of any redemption payments on any Bonds. See "THE BONDS – Book-Entry-Only System."

## **Selection of Bonds for Redemption**

If fewer than all of the Bonds are to be redeemed, the Bonds will be redeemed only in whole multiples of \$5,000. For purposes of redemption, each \$5,000 of principal will be considered as a Bond. If fewer than all of the Bonds will be called for redemption, the principal amount and maturity of the particular Bonds to be redeemed will be selected by the Bond Bank. The Trustee will select the particular Bonds to be redeemed by lot within a maturity in such manner as the Trustee may determine.

For so long as the Bonds are registered in the name of DTC or its nominee, the Trustee will select for redemption only Bonds or portions thereof registered in the name of DTC or its nominee, in accordance with the preceding paragraph. Neither the Bond Bank nor the Trustee will have any responsibility for selecting for redemption any Beneficial Owner's interests in the Bonds. See "THE BONDS – Book-Entry-Only System."

## **Exchange and Transfer**

The Bonds may be transferred or exchanged at the principal corporate trust office of the Trustee, to the extent and upon the conditions set forth in the Indenture, including the payment of a sum sufficient to cover any tax or other governmental charge for any such transfer or exchange that may be imposed upon the Bond Bank or the Trustee.

In the event any Bond is mutilated, lost, stolen or destroyed, the Bond Bank may issue and the Trustee may authenticate a new Bond in accordance with the provisions therefor in the Indenture including an indemnity satisfactory to both, and the Bond Bank and the Trustee may charge the holder or Owner of such Bonds for its reasonable fees and expenses in connection therewith, including the cost of having a replacement Bond printed.

For so long as the Bonds are registered in the name of DTC or its nominee, the Trustee will transfer and exchange Bonds only on behalf of DTC or its nominee, in accordance with the preceding paragraph. Neither the Bond Bank, nor the Trustee will have any responsibility for transferring or exchanging any Beneficial Owner's interests in the Bonds. See "THE BONDS – Book-Entry-Only System."

## **Book-Entry-Only System**

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions, in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of the Depository Trust and Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange, LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Direct and Indirect Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at **[www.dtcc.com](http://www.dtcc.com)**.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identify of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct or Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices will be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Bond Bank as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Bond Bank or the Trustee on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Bond Bank, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Bond Bank or the Trustee, disbursements of such payments to Direct Participants will be the responsibility of DTC, and disbursements of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Bond Bank or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bonds are required to be printed and delivered.

The Bond Bank may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depositor). In that event, Bonds will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Bond Bank believes to be reliable, but the Bond Bank takes no responsibility for the accuracy thereof.

### **ESTIMATED SOURCES AND USES OF FUNDS**

The estimated sources and uses of funds related to acquiring the Qualified Obligations and paying costs incidental to the sale and delivery of the Bonds are estimated as shown below:

#### **Sources of Funds:**

Principal Amount of Bonds	<u>\$32,280,000</u>
TOTAL SOURCES	\$32,280,000

#### **Uses of Funds:**

Deposit to General Fund <sup>(1)</sup>	\$ 275,000
Acquisition of Qualified Obligations	31,448,659
Cost of Issuance <sup>(2)</sup>	<u>556,341</u>
TOTAL USES	\$32,280,000

<sup>(1)</sup> Representing the amount of Bond proceeds to be used for payment of a portion of the interest coming due on January 15, 2003.

<sup>(2)</sup> Includes Underwriters' discount and the premium for the municipal bond insurance policy.

### **THE INDIANA BOND BANK**

The Bond Bank was created in 1984, and is organized and existing under and by virtue of the Act as a separate body corporate and politic, constituting an instrumentality of the State for the public purposes set forth in the Act. The Bond Bank is not an agency of the State, but is separate from the State in its corporate and sovereign capacity and has no taxing power.

#### **Powers Under the Act**

Under the Act, the Bond Bank has a perpetual existence and is granted all powers necessary, convenient or appropriate to carry out its public and corporate purposes including, without limitation, the power to do the following:

1. Make, enter into and enforce all contracts necessary, convenient or desirable for the purposes of the Bond Bank or pertaining to a loan to or a lease or an agreement with a qualified entity, a purchase, acquisition or a sale of qualified obligations or other investments or the performance of its duties and execution of its powers under the Act;
2. Purchase, acquire or hold qualified obligations or other investments for the Bond Bank's own account or for a qualified entity at such prices and in a manner as the Bond Bank considers advisable, and sell or otherwise dispose of the qualified obligations or investments at prices without relation to cost and in a manner the Bond Bank considers advisable;
3. Fix and establish terms and provisions upon which a purchase or loan will be made by the Bond Bank;
4. Prescribe the form of application or procedure required of a qualified entity for a purchase or loan and enter into agreements with qualified entities with respect to each purchase or loan;
5. Render and charge for services to a qualified entity in connection with a public or private sale of any qualified obligation, including advisory and other services;
6. Charge a qualified entity for costs and services in review or consideration of a proposed purchase, regardless of whether a qualified obligation is purchased, and fix, revise from time to time, charge and collect other program expenses properly attributable to qualified entities;
7. To the extent permitted by the indenture or other agreements with the owners of bonds or notes of the Bond Bank, consent to modification of the rate of interest, time and payment of installments of principal or interest, security or any other term of a bond, note, contract or agreement of any kind to which the Bond Bank is a party;
8. Appoint and employ general or special counsel, accountants, financial advisors or experts, and all such other or different officers, agents and employees as it requires;
9. In connection with any purchase, consider the need for and desirability or eligibility of the qualified obligation to be purchased, the ability of the qualified entity to secure financing from other sources, the costs of such financing and the particular public improvement or purpose to be financed or refinanced with the proceeds of the qualified obligation to be purchased by the Bond Bank;
10. Temporarily invest moneys available until used for making purchases, in accordance with the indenture or any other instrument authorizing the issuance of bonds or notes; and

11. Issue bonds or notes of the Bond Bank in accordance with the Act bearing fixed or variable rates of interest in aggregate principal amounts considered necessary by the Bond Bank to provide funds for any purposes under the Act; provided, that the total amount of bonds or notes of the Bond Bank outstanding at any one time may not exceed any aggregate limit imposed by the Act, currently fixed at \$1,000,000,000. Such aggregate limit of \$1,000,000,000 does not apply to (i) bonds or notes issued to fund or refund bonds or notes of the Bond Bank; (ii) bonds or notes issued for the purpose of purchasing an agreement executed by a qualified entity under Indiana Code 21-1-5; (iii) bonds, notes, or other obligations not secured by a reserve fund under Indiana Code 5-1.5-5; and (iv) bonds, notes, or other obligations if funds and investments, and the anticipated earned interest on those funds and investments, are irrevocably set aside in amounts sufficient to pay the principal, interest, and premium on the bonds, notes, or obligations at their respective maturities or on the date or dates fixed for redemption.

Under the Act, the Bond Bank may not do any of the following:

1. Lend money other than to a qualified entity;
2. Purchase a security other than a qualified obligation to which a qualified entity is a party as issuer, borrower or lessee, or make investments other than as permitted by the Act;
3. Deal in securities within the meaning of or subject to any securities law, securities exchange law or securities dealers law of the United States, the State or any other state or jurisdiction, domestic or foreign, except as authorized by the Act;
4. Emit bills of credit or accept deposits of money for time or demand deposit, administer trusts or engage in any form or manner, or in the conduct of, any private or commercial banking business or act as a savings bank, savings and loan association or any other kind of financial institution; or
5. Engage in any form of private or commercial banking business.

### **Organization and Membership of the Bond Bank**

The membership of the Bond Bank consists of seven Directors: the Treasurer of State, serving as Chairman Ex Officio, the Director of the State Department of Financial Institutions, appointed by the Governor and serving as Director Ex Officio, and five Directors appointed by the Governor of the State. Each of the five Directors appointed by the Governor must be a resident of the State and must have substantial expertise in the buying, selling and trading of municipal securities or in municipal administration or public facilities management. Each such Director will serve for a three-year term as set forth below and until a successor is appointed and qualified. Each such Director is also eligible for reappointment and may be removed for cause by the Governor. Any vacancy on the Board is filled by appointment of the Governor for the unexpired term only.



The Directors elect one Director to serve as Vice Chairman. The Directors also appoint and fix the duties and compensation of an Executive Director, who serves as both secretary and treasurer. The powers of the Bond Bank are vested in the Board of Directors, any four of whom constitute a quorum. Action may be taken at any meeting of the Board by the affirmative vote of at least four Directors. A vacancy on the Board does not impair the right of a quorum to exercise the powers and perform the duties of the Board of Directors of the Bond Bank.

## **Directors**

The following persons, including those persons with the particular types of experience required by the Act, comprise the present Board of Directors of the Bond Bank:

Tim Berry, Treasurer of the State of Indiana, February 10, 1999 to present and Chairman Ex Officio. Residence: Indianapolis, Indiana. Member, Indiana State Board of Finance; Vice-Chairman, Indiana Housing Finance Authority; Secretary-Investment Manager, Indiana Board for Depositories; Member, Governing Board of the Indiana Department of Revenue; Treasurer, Indiana State Office Building Commission; Treasurer, Indiana Recreational Development Commission; Trustee, Indiana State Police Pension Fund; Board Member, Indiana Transportation Finance Authority; Allen County, Indiana Treasurer 1990 to February, 1999.

Charles W. Phillips, Director of the Indiana Department of Financial Institutions, 1989 to present, and Director Ex Officio, serving at the pleasure of the Governor. Residence: New Albany, Indiana. Director Ex Officio, Indiana Housing Finance Authority; President, Floyd County Bank, New Albany, Indiana, 1962 to 1985; Former Examiner, Federal Deposit Insurance Corporation.

Clark H. Byrum, Vice Chairman; term expires July 1, 2003. Residence: Indianapolis, Indiana. Chairman of the Board and President, The Key Corporation, Indianapolis, Indiana, 1977 to present; Chairman of the Board, American State Bank of Lawrenceburg, Aurora and Greendale, Indiana, 1990 to present; Board Member, NCB Corporation and Norcen Bank, 1986 to present; Member, American Bankers Association; Member, Indiana Bankers Association; Member, National Association of Life Underwriters.

C. Kurt Zorn, Director; term expires July 1, 2003. Residence: Bloomington, Indiana. Professor of Public and Environmental Affairs, Indiana University, 1994 to present; Chairman, State Board of Tax Commissioners, January 1991 to August 1994; Associate Professor, School of Public and Environmental Affairs, Indiana University, 1987 to 1994 (on leave 1989 to 1992); Member, American Economic Association; Member, National Tax Association; Member, Governmental Finance Officers Association.

Russell Breeden, III, Director; term expires July 1, 2003. Residence: Indianapolis, Indiana. Chairman of the Board and CEO, Community First Financial Group, Inc., 1993 to 2002. Director, English State Bank, 1993 to present; Chairman, Peoples Trust Bank Company, 1994 to present; Chairman, Peninsula Banking Group, 1995 to present; Chairman, Bay Cities National Bank, 1995 to present; Director and President, Bettenhausen Motorsports, Inc., 1988 to present.

Marni McKinney, Director, term expires July 1, 2004. Residence: Indianapolis, Indiana. Vice President, First Indiana Bank, 1984 to 1999; Chairman of the Board, 1999 to present;

President and CEO, The Somerset Group, 1995 to 2000; Vice Chairman and Chief Executive Officer, First Indiana Corporation, 1999 to present; Board of Directors, The Children's Museum, Community Hospitals of Indiana, Inc.; Investment Committee Member, The Indianapolis Foundation.

Morris H. Mills, Director, term expires July 1, 2003. Residence: Ladoga, Indiana. Partner, Mills Bros. Farms; Member, Indiana State Senate, 1972 to 2000; Member, Indiana State House of Representatives, 1968 to 1972; Director and Officer, Maplehurst Group, 1954 to 1996.

The Directors are authorized to appoint and fix the duties and compensation of an Executive Director, who serves as both secretary and treasurer of the Board of Directors. Dan Huge was appointed Executive Director of the Indiana Bond Bank on October 9, 2001. Mr. Huge previously served as the Deputy Director of The Indianapolis Local Public Improvement Bond Bank for over three years. Mr. Huge has over 14 years of corporate accounting and managerial experience. He is a Certified Public Accountant and holds a B.S. from Purdue University.

## **OPERATION OF FUNDS AND ACCOUNTS**

The Indenture creates and establishes a General Fund which will be held by the Trustee and will consist of the following accounts:

1. General Account
2. Redemption Account
3. Bond Issuance Expense Account

### **General Account**

The Trustee will deposit \$31,723,659 from Bond proceeds in the General Account of the General Fund, \$31,448,659 of which will be used to purchase the Qualified Obligations and \$275,000 of which will be used for payment of a portion of the interest due on January 15, 2003. The Trustee will also deposit in the General Account all Revenues and all income or gain on Investment Securities attributable to any fund or account.

Moneys in the General Account of the General Fund will be disbursed as follows: (i) on the date of delivery of the Bonds, to purchase Qualified Obligations as set forth in the Indenture, upon the submission of requisitions of the Bond Bank signed by an Authorized Officer stating that all requirements for the purchase of the Qualified Obligations have been or will be satisfied; (ii) not later than 10:00 a.m., Indianapolis time, one (1) Business Day prior to each Interest Payment Date, to the Trustee such amounts as may be necessary to pay interest due to be paid on Outstanding Bonds on such Interest Payment Date; and (iii) not later than 10:00 a.m., Indianapolis time, one (1) Business Day prior to each Interest Payment Date, to the Trustee such amounts as may be necessary, if any, to pay principal due to be paid on Outstanding Bonds on such Interest Payment Date.

## **Redemption Account**

There will be deposited in the Redemption Account all moneys received upon the sale or optional or mandatory redemption (prior to maturity) of Qualified Obligations and all other moneys required to be deposited therein pursuant to the Indenture. Moneys in the Redemption Account will be distributed as follows: (i) on the fifteenth day of each month, to the General Account, an amount equal to the principal which would have been payable during the following month if such Qualified Obligations had not been sold or redeemed prior to maturity, (ii) on the second Business Day prior to any Interest Payment Date, if amounts in the General Account are not sufficient to make the payments of principal and interest required to be made on such date, to the General Account amounts in the Redemption Account available for such transfer and not otherwise committed under the Indenture to the redemption of Bonds for which notice of redemption has been given; and (ii) after provision has been made for the payments required under (i) and (ii) above to (a) redeem Bonds of such maturity or maturities as may be directed by an Authorized Officer if such Bonds are then subject to redemption or (b) purchase Bonds of such maturity or maturities as directed by an Authorized Officer at the most advantageous price obtainable with reasonable diligence, whether or not such Bonds will then be subject to redemption. Such price may not, however, exceed the redemption price which would be payable on the next ensuing redemption date on which the Bonds so purchased are redeemable according to their terms. The Trustee will pay the interest accrued on any Bonds so purchased to the date of delivery thereof from the General Account and the balance of the purchase price from the Redemption Account, but no such purchase will be made by the Trustee within the period of forty-five (45) days next preceding an Interest Payment Date or a date on which such Bonds are subject to redemption.

At the direction of the Bond Bank, the Trustee may transfer any amounts in the Redemption Account to the General Account of the General Fund provided that the Trustee is provided with a Cash Flow Certificate taking into account such transfer.

## **Bond Issuance Expense Account**

The Trustee will deposit \$231,927 of the proceeds of the Bonds in the Bond Issuance Expense Account for the purpose of paying the costs associated with issuing the Bonds. Moneys in the Bond Issuance Expense Account will be disbursed to pay Costs of Issuance of the Bonds or to reimburse the Bond Bank for amounts previously advanced for such costs, upon the Trustee's receipt of acceptable invoices or requisitions. All funds in the Bond Issuance Expense Account which are not expended for Costs of Issuance prior to December 1, 2002 will be transferred to the General Account of the General Fund.

## **Amounts Remaining in Funds**

Any amounts remaining in any Fund or Account after full payment of all of the Bonds outstanding under the Indenture and the fees, charges and expenses of the Trustee will be distributed to the Bond Bank, unless otherwise provided for in the Indenture.

## **Investment of Funds**

Moneys held as a part of any Fund or Account under the Indenture will be invested and reinvested at all times as fully as reasonably possible by the Trustee in investments defined to be Investment Securities under the Indenture and in accordance with the provisions of the Act and the terms and conditions of the Indenture.

The Bond Bank will direct the Trustee (with such direction to be confirmed in writing) in the investment of such moneys. The Bond Bank will so direct the Trustee, and the Bond Bank and the Trustee will make all such investments of moneys under the Indenture, in accordance with prudent investment standards reasonably expected to produce the greatest investment yields while seeking to preserve principal. The Bond Bank will direct the Trustee to invest all moneys held in the General Account relating to the Bonds pursuant to the provisions of the Investment Agreement.

All investments will be a part of the Fund or Account from which moneys were used to acquire such investments, and all income and profits on such investments will be deposited as received in the General Account. Any investment income, gains or losses will be charged to the Fund or Account from which moneys were employed to invest in the Investment Security, and the Trustee will not be liable for any investment losses so long as the Trustee complies with the provisions of the Indenture. Moneys in any Fund or Account will be invested in Investment Securities with maturity dates (or redemption dates determinable at the option of the owner of such Investment Securities) coinciding as nearly as practicable with the times at which moneys in such Funds or Accounts will be required for transfer or disbursement under the Indenture. The Trustee will sell and reduce to cash at the best price reasonably obtainable sufficient amounts of such Investment Securities in the respective Fund or Account as may be necessary to make up a deficiency in any amounts contemplated to be disbursed from such Fund or Account.

## **THE BONDS AS LEGAL INVESTMENTS**

Under the Act, all financial institutions, investment companies, insurance companies, insurance associations, executors, administrators, guardians, trustees and other fiduciaries in the State may legally invest sinking funds, money or other funds belonging to or within the control of such fiduciaries in the bonds and Bonds of the Bond Bank issued under the Act.

## **LITIGATION**

### **Bond Bank**

There is not now pending or, to the Bond Bank's knowledge, threatened any litigation (1) restraining or enjoining the issuance, sale, execution or delivery of the Bonds, (2) prohibiting the Bond Bank from purchasing the Qualified Obligations with the proceeds of such Bonds, (3) in any way contesting or affecting the validity of the Bonds or (4) restraining or enjoining any proceedings of the Bond Bank taken with respect to the issuance or sale thereof or the pledge or application of any moneys or security provided for the payment of the Bonds. Neither the creation, organization or existence of the Bond Bank nor the title of any of the present Directors or other officers of the Bond Bank to their respective offices is being contested.

## **Qualified Entities**

Upon the issuance of the Qualified Obligations, the Bond Bank will receive a certification with respect to each Qualified Entity described in Appendix A to the effect that (i) there is no action, suit, proceeding, inquiry or investigation, at law or in equity, pending or threatened against such Qualified Entity, wherein an unfavorable decision, ruling or finding would in any material respect adversely affect the transactions contemplated by the Purchase Agreements and (ii) the information provided to the Bond Bank by such Qualified Entity in connection with its participation in the Program did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

## **TAX MATTERS**

Interest on the Bonds is **not** excludable from gross income for federal income tax purposes. In the opinion of Ice Miller, Bond Counsel, under law existing and in effect on the date of such opinion, interest on the Bonds is exempt from income taxation in the State of Indiana.

The foregoing does not purport to be a comprehensive discussion of the tax consequences of owning the Bonds. Prospective owners of the Bonds should consult their own tax advisors with respect to the foregoing and other tax consequences of owning the Bonds.

## **LEGAL MATTERS**

Certain legal matters incident to the authorization and issuance of the Bonds by the Bond Bank are subject to the approval of Ice Miller, Indianapolis, Indiana, Bond Counsel, whose approving opinion will be delivered with the Bonds. Certain legal matters will be passed upon for the Bond Bank by its counsel, Barnes & Thornburg, Indianapolis, Indiana. Certain legal matters will be passed upon for the Underwriters by their counsel, Mayer, Brown, Rowe & Maw, Chicago, Illinois.

Ice Miller, Indianapolis, Indiana, serves as counsel to the Qualified Entities (with the exception of Avon Community School Corporation) in connection with the issuance and sale of the Qualified Obligations and will be passing on certain legal matters in connection therewith. Bose McKinney & Evans LLP, Indianapolis, Indiana, serves as counsel to Avon Community School Corporation in connection with the issuance and sale of its Qualified Obligations and will be passing on certain legal matters in connection therewith.

The remedies available to the Trustee, to the Bond Bank or to the owners of the Bonds upon an Event of Default under the Indenture, under the terms of any of the Qualified Obligations purchased by the Bond Bank, under the terms of any Purchase Agreement are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically Title 11 of the United States Code (the United States Bankruptcy Code), the remedies provided in the Indenture and under the Qualified Obligations or the Purchase Agreements may not be readily available or may be limited. Under Federal and State environmental laws, certain liens may be imposed on property of the Bond Bank or the Qualified Entities from time to time, but the Bond

Bank has no reason to believe, under existing law, that any such lien would have priority over the lien on the payments on the Qualified Obligations pledged to owners of the Bonds under the Indenture or over the lien on the property taxes pledged to the owner of the Qualified Obligations under their respective resolutions. The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally (regardless of whether such enforceability is considered in a proceeding in equity or in law), by general principles of equity (regardless of whether such proceeding is considered in a proceeding in equity or at law) and by the valid exercise of the constitutional powers of the Qualified Entities, the State and the United States of America. These exceptions would encompass any exercise of any of the Qualified Entity's police powers in a manner consistent with the public health and welfare. Enforceability of the Indenture, the Qualified Obligations or the Purchase Agreements in situations where such enforcement may adversely affect public health and welfare may be subject to the police powers of the State or any of the Qualified Entities.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of parties to such transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

## **RATINGS**

Standard & Poor's Ratings Services ("S&P") has assigned a rating of "AA-" to the Bonds if they are issued without bond insurance and a rating of "AAA" if they are issued with bond insurance. This rating reflects only the view of S&P. Such rating is not a recommendation to buy, sell or hold the Bonds. There is no assurance that such rating will remain in effect for any given period of time or that such rating will not be lowered or withdrawn entirely by S&P if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect upon the market price or marketability of the Bonds.

## **UNDERWRITING**

Under a bond purchase contract entered into between the Underwriters listed on the cover page of this Official Statement and the Bond Bank, the Bonds are being purchased by the Underwriters for reoffering at an aggregate purchase price of \$32,280,000. The purchase price reflects an aggregate Underwriters' discount of \$242,040. The bond purchase contract provides that the Underwriters will purchase all of the Bonds if any are purchased. The obligations of the Bond Bank to deliver the Bonds and of the Underwriters to accept delivery of the Bonds are subject to various conditions contained in the bond purchase contract.

The Underwriters have agreed to make an initial public offering of all of the Bonds at yields not less than the yields set forth on the cover page of this Official Statement.

## **CONTINUING DISCLOSURE**

### **General**

Pursuant to the terms of the Indiana Bond Bank Continuing Disclosure Agreement, the Bond Bank, while the Bonds are outstanding (unless the Bonds are defeased), has agreed to provide to each nationally recognized municipal securities information repository (“NRMSIR”), or to the Municipal Securities Rulemaking Board, and to the Indiana State Information Depository then in existence, if any (the “State Depository”), the following event notices with respect to the Bonds, if material, and in a timely manner:

- 1) principal and interest payment delinquencies;
- 2) non-payment related defaults;
- 3) unscheduled draws on debt service reserves reflecting financial difficulties;
- 4) unscheduled draws on credit enhancements reflecting financial difficulties;
- 5) substitution of credit or liquidity providers, or their failure to perform;
- 6) adverse tax opinions or events affecting the tax-exempt status of the security;
- 7) modifications to rights of security holders;
- 8) bond calls;
- 9) defeasances;
- 10) release, substitution or sale of property securing repayment of the securities; and
- 11) rating changes.

Each Qualified Entity, while the Bonds are outstanding or until its Qualified Obligations are legally defeased, redeemed or paid in full, has agreed to provide to the Bond Bank the preceding event notices with respect to its Qualified Obligations if material, and in a timely manner. The disclosure obligations of the Bond Bank and each of the Qualified Entities are referenced as the “Undertakings.”

### **Remedy**

The purpose of the Undertakings is to enable the Underwriters to purchase the Bonds in satisfaction of Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the “Rule”). The Undertakings are solely for the benefit of the holders and Beneficial Owners of the Bonds. The sole remedy against the Bond Bank or any Qualified Entity for any failure to carry out any provision of the Undertakings will be for specific performance of the Bond Bank’s or such Qualified Entity’s disclosure obligations under the Undertakings. The Trustee may (and, at the request of the holders of at least 25% in aggregate principal amount of Outstanding Bonds, will), or any holder or Beneficial Owner of the Bonds, may seek a mandate or specific performance by court order, to cause the Bond Bank or Qualified Entity to comply with its obligations under the Undertakings. For the purposes of this section only, “Beneficial Owner” means any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding any Bonds through nominees, depositories or other intermediaries) or (b) is treated as the owner of any Bond for federal income tax purposes.

Failure on the part of the Bond Bank or any Qualified Entity to honor its Undertaking will not constitute a breach or default under the Bonds, the Indenture, the Qualified Obligations or any other agreement to which the Bond Bank or the Qualified Entity is a party.

### **Modification of Undertakings**

The Bond Bank, the Trustee and any Qualified Entity may, from time to time, amend any provision of the Undertakings without the consent of the holders or Beneficial Owners of the Bonds if: (a) such amendment (if related to certain provisions of the Undertakings) is made in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of the Bond Bank or any Qualified Entity or type of business conducted, (b) the respective Undertaking, as so amended, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule on the date of execution thereof, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, and (c) such amendment either (i) is approved by the holders of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of holders or (ii) in the opinion of nationally recognized bond counsel, does not materially impair the interests of the holders or Beneficial Owners of the Bonds.

Copies of the Undertakings are available from the Bond Bank upon request.

### **Compliance with Previous Undertakings**

In the previous five years, the Bond Bank and each of the Qualified Entities have never failed to comply, in all material respects, with any previous undertakings in a written contract or agreement that any of them entered into pursuant to subsection (b)(5) of the Rule.

### **MISCELLANEOUS**

The Bond Bank's offices are located at 2980 Market Tower, 10 West Market Street, Indianapolis, Indiana 46204, telephone (317) 233-0888.

All quotations from, and summaries and explanations of, the Act, the Indenture, and the Purchase Agreements contained in this Official Statement do not purport to be complete and reference is made to each such document or instrument for full and complete statements of its provisions. The attached Appendices are an integral part of this Official Statement and must be read together with all of the foregoing statements. Copies in a reasonable quantity of the Act, the Indenture, the forms of Purchase Agreements, and the supplemental materials furnished to the Bond Bank by the Qualified Entities may be obtained upon request directed to the Bond Bank.

It is the Bond Bank's current policy to provide its financial statements to the holders of its obligations, including the Bonds, upon written request. In addition, certain other information concerning the Bond Bank is available to the Trustee and holders of the Bonds pursuant to the Indenture.

Neither any advertisement of the Bonds nor this Official Statement is to be construed as constituting an agreement with the purchasers of the Bonds. So far as any statements are made in



this Official Statement involving matters of opinion, whether or not expressly so stated, they are intended merely as such and not as representations of fact.

This Official Statement has been duly approved, executed and delivered by the Bond Bank.

INDIANA BOND BANK

By: /s/ Tim Berry  
Chairman Ex Officio

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## **APPENDIX A**

### **SUMMARY OF INFORMATION REGARDING THE QUALIFIED ENTITIES**

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## AVON COMMUNITY SCHOOL CORPORATION

### General

Avon Community School Corporation, located in Hendricks County, encompasses 34 square miles and includes all of Washington Township. School administrators report a 2002 enrollment of 5,351 students and the 2000 population of the School District was 26,319. A five-member Board of School Trustees, elected to four-year terms, governs the School Corporation. Administrative functions are carried out by a Superintendent of Schools appointed by the Board. A central office staff complements the leadership of the Superintendent. The Administration Center is located in the Town of Avon. The School Corporation, as of March 2002, had a total staff of 650 personnel. Eight school buildings house education programs for the School Corporation including five elementary schools, one middle school, one high school, and one intermediate school.

The most recent audit by the State Board of Accounts was filed on March 31, 2001 for the period July 1, 1998 to June 30, 2000. The current audit period for the School Corporation began July 1, 2000 and concluded June 30, 2002.

Past (2001-2002) and projected (2003-2004) enrollments are:

2001 – 5,003                      2002 – 5,351                      2003 – 5,350                      2004 – 5,750

### Selected Statistical Information

<u>Tax Payment Year</u>	<u>Assessed Valuation <sup>(1)</sup></u>	<u>Tax Collections</u>	<u>Total School Tax Rate <sup>(1)</sup></u>	<u>State Aid</u>	<u>Total Debt Service</u>
1999	\$235,678,820	102.32%	\$6.9999	\$11,989,749	\$7,763,032
2000	275,183,890	101.75	7.1828	16,090,003	7,849,647
2001	309,238,340	102.01	6.8190	17,683,933	9,115,937
2002	1,006,716,920	In Process	2.4111	19,165,185	9,354,968

- (1) Prior to the 2001 Pay 2002 tax year, the State of Indiana used a real property valuation system that arrived at a full valuation designated as the True Tax Value that was then divided by three to arrive at the Assessed Value of the property. For the 2001 Pay 2002 tax year and subsequent years, property is valued at True Tax Value rather than Assessed Value. This has generally resulted in tax rates of approximately one-third of that used in prior years since the valuation basis is three times higher.

**Unaudited Receipts & Disbursements  
Calendar Year 2001**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Transportation Fund</u>	<u>Bus Replacement Fund</u>	<u>Capital Projects Fund</u>	<u>Special Ed Pre-School</u>
Receipts:						
Property Taxes	\$ 8,707,770	\$ 7,386,004	\$ 1,481,807	\$ 710,775	\$ 3,194,545	\$ 29,971
Bank & Excise	1,421,669	1,205,640	241,880	116,021	521,456	4,893
State Grants	17,292,867	189,801	279,179	0	0	95,576
Miscellaneous	<u>1,093,588</u>	<u>451,140</u>	<u>132,270</u>	<u>43,414</u>	<u>266,413</u>	<u>1,830</u>
Total	<u>\$ 28,515,894</u>	<u>\$ 9,232,585</u>	<u>\$ 2,135,136</u>	<u>\$ 870,210</u>	<u>\$ 3,982,414</u>	<u>\$ 132,270</u>
Disbursements	<u>\$ 27,561,243</u>	<u>\$ 9,125,492</u>	<u>\$ 1,993,646</u>	<u>\$ 833,902</u>	<u>\$ 4,051,230</u>	<u>\$ 123,418</u>

**Anticipated Receipts & Disbursements  
Calendar Year 2002 Budget**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Transportation Fund</u>	<u>Bus Replacement Fund</u>	<u>Capital Projects Fund</u>	<u>Special Ed Pre-School</u>
Receipts:						
Property Taxes	\$ 9,565,824	\$ 8,079,910	\$ 1,866,453	\$1,331,886	\$ 3,398,676	\$ 30,202
Bank & Excise	1,155,279	936,265	225,414	154,333	410,463	3,648
State Grants	18,580,672	201,093	265,392	0	0	118,028
Miscellaneous	<u>571,903</u>	<u>43,767</u>	<u>25,972</u>	<u>7,215</u>	<u>1,770</u>	<u>16</u>
Total	<u>\$ 29,873,678</u>	<u>\$ 9,261,035</u>	<u>\$ 2,383,231</u>	<u>\$1,493,434</u>	<u>\$ 3,810,909</u>	<u>\$ 151,894</u>
Disbursements	<u>\$ 32,472,681</u>	<u>\$ 9,484,598</u>	<u>\$ 2,583,039</u>	<u>\$1,593,672</u>	<u>\$ 4,216,957</u>	<u>\$ 160,134</u>

**Year End Cash Balances**

<u>As of Dec. 31</u>	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Transportation Fund</u>	<u>Bus Replacement Fund</u>	<u>Capital Projects Fund</u>	<u>Special Ed Pre-School</u>	<u>All Other</u>	<u>TOTAL</u>
1999	\$7,236,660	\$ 773,072	\$ 186,457	\$ 0	\$ 948,279	\$(3,851)	\$ 0	\$ 9,140,617
2000	8,462,534	1,383,983	186,457	0	564,261	20,613	0	10,617,848
2001	6,750,550	956,511	490,957	0	585,074	(1,994)	0	8,781,098

### Current School Corporation Indebtedness

General Obligation Bonds – Now Outstanding	\$ 0
– This Issue	6,700,000
Veterans & Common School Loans	468,431
Lease Obligations	<u>113,238,431</u>
Total School Corporation Indebtedness	<u>\$120,406,862</u>
School Corporation Indebtedness to True Tax Value	11.96%
Total School Corporation Indebtedness Per Capita	\$ 4,575

### Ten Largest Taxpayers

<u>Name and Type of Business</u>	2001/2002 Assessed <u>Valuation</u>	% of 2001/2002 Total Assessed <u>Valuation</u>
Assoc. Estates Realty Corp.	\$ 9,190,700	0.91
GPI Real Estate	8,550,900	0.85
Meijer, Inc.	8,276,600	0.82
Crossman Properties	7,606,600	0.76
CSX Railroad	7,310,300	0.73
ADESA, Inc.	6,961,700	0.69
Indiana Bell Telephone, Inc.	6,362,700	0.63
Menards, Inc.	5,197,800	0.52
Beechwood Center LLC	4,699,200	0.47
Harlan Bakeries	2,400,300	0.24

## THE SCHOOL TOWN OF HIGHLAND

### General

The School Town of Highland (the “School District”), organized under the provisions of I.C. 20-4, is coterminous with the Town of Highland, in North Township, Lake County, Indiana, and has a total land area of seven square miles. The 2000 population was 23,546. A five-member Board of School Trustees, elected to four-year staggered terms, governs the School District. Administrative functions are carried out by a Superintendent of Schools appointed by the Board. A central office staff complements the leadership of the Superintendent. The grade structure consists of K-5, 6-8 and 9-12. The School District has a total staff of 390. Six school buildings are currently house educational programs for the School District.

The most recent audit by the State Board of Accounts was filed on March 28, 2002 for the period July 1, 1999 to June 30, 2001. The current audit period for the School District began July 1, 2001 and will conclude June 30, 2003. Copies of the most recent State Board of Accounts Audit and annual financial reports (Form 9) are available upon request to the Indiana Bond Bank.

Past (2001-2002) and projected (2003-2004) enrollments are:

2001 – 3,259                  2002 – 3,296                  2003 – 3,296                  2004 – 3,296

### Selected Statistical Information

<u>Tax Payment Year</u>	<u>Assessed Valuation <sup>(1)</sup></u>	<u>Tax Collections</u>	<u>Total School Tax Rate <sup>(1)</sup></u>	<u>State Aid</u>	<u>Total Debt Service</u>
1999	\$ 143,051,065	99.90%	\$6.9512	\$10,209,657	\$ 2,698,057
2000	153,500,420	98.69	7.8330	10,711,668	2,581,070
2001	159,640,178	99.89	7.9488	11,303,062	2,813,734
2002	501,116,134	In Process	2.3117	10,525,790	2,874,283

- (1) Prior to the 2001 Pay 2002 tax year, the State of Indiana used a real property valuation system that arrived at a full valuation designated as the True Tax Value that was then divided by three to arrive at the Assessed Value of the property. For the 2001 Pay 2002 tax year and subsequent years, property is valued at True Tax Value rather than Assessed Value. This has generally resulted in tax rates of approximately one-third of that used in prior years since the valuation basis is three times higher.



**Unaudited Receipts & Disbursements  
Calendar Year 2001**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Transportation Fund</u>	<u>Bus Replacement Fund</u>	<u>Capital Projects Fund</u>	<u>Special Ed Pre-School</u>
Receipts:						
Property Taxes	\$ 6,366,963	\$ 2,499,394	\$ 586,817	\$ 114,971	\$ 1,496,543	\$ 15,946
Bank & Excise	7,747,565	313,709	73,653	14,431	187,838	2,001
State Grants	11,030,062	118,632	53,531	0	0	36,286
Miscellaneous	<u>3,580,149</u>	<u>0</u>	<u>712,263</u>	<u>50,000</u>	<u>920,000</u>	<u>0</u>
Total	<u>\$ 28,724,739</u>	<u>\$ 2,931,735</u>	<u>\$ 1,426,264</u>	<u>\$ 179,402</u>	<u>\$ 2,604,381</u>	<u>\$ 54,233</u>
Disbursements	<u>\$ 28,907,551</u>	<u>\$ 2,822,452</u>	<u>\$ 1,419,830</u>	<u>\$ 174,462</u>	<u>\$ 2,615,279</u>	<u>\$ 69,800</u>

**Anticipated Receipts & Disbursements  
Calendar Year 2002 Budget**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Transportation Fund</u>	<u>Bus Replacement Fund</u>	<u>Capital Projects Fund</u>	<u>Special Ed Pre-School</u>
Receipts:						
Property Taxes	\$ 6,657,328	\$ 2,449,456	\$ 616,874	\$ 121,771	\$ 1,722,336	\$ 16,537
Bank & Excise	399,761	254,712	64,147	12,663	179,100	1,719
State Grants	10,635,555	119,603	54,147	0	0	27,463
Miscellaneous	<u>5,806,955</u>	<u>0</u>	<u>397,986</u>	<u>40,000</u>	<u>510,000</u>	<u>0</u>
Total	<u>\$ 23,499,599</u>	<u>\$ 2,823,771</u>	<u>\$ 1,133,154</u>	<u>\$ 174,434</u>	<u>\$ 2,411,436</u>	<u>\$ 45,719</u>
Disbursements	<u>\$ 23,100,233</u>	<u>\$ 2,816,166</u>	<u>\$ 1,114,472</u>	<u>\$ 161,143</u>	<u>\$ 2,405,412</u>	<u>\$ 67,221</u>

**Year End Cash Balances**

<u>As of Dec. 31</u>	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Transportation Fund</u>	<u>Bus Replacement Fund</u>	<u>Capital Projects Fund</u>	<u>Special Ed Pre-School</u>	<u>All Other</u>	<u>TOTAL</u>
1999	\$1,286,418	\$1,220,135	\$ 148,171	\$ 9,325	\$ 0	\$ 39,413	\$ 424,888	\$3,128,350
2000	1,344,610	1,198,367	161,289	10,932	27,589	41,097	480,047	3,263,930
2001	1,161,798	1,307,649	167,722	15,872	16,691	25,531	648,737	3,344,001

### Current School Corporation Indebtedness As of June 1, 2002

General Obligation Bonds – Now Outstanding	\$ 1,360,000
– This Issue	1,980,000
Veterans and Common School Loans	250,437
Lease Obligations	<u>32,000,000</u>
Total School Corporation Indebtedness	<u>\$ 35,590,437</u>
School Corporation Indebtedness to True Tax Value	7.10%
Total School Corporation Indebtedness Per Capita	\$1,512

### Ten Largest Taxpayers

<u>Name</u>	<u>2001/2002 Assessed Valuation</u>	<u>% of 2001/2002 Total Assessed Valuation</u>
Meijer	\$ 9,549,200	1.91%
Indiana Bell Telephone	7,275,940	1.45
Highland Grove	6,566,300	1.31
Terry Shaver Pontiac	5,198,450	1.04
NIPSCO	4,935,460	.98
Webb Ford	4,289,090	.86
Dayton-Hudson (Target)	4,249,300	.85
Kohl's	3,841,900	.77
Hampton Associates	3,653,900	.73
Acme Markets, Inc.	2,957,300	.59

## THE METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP

### General

The Metropolitan School District of Lawrence Township (the "School District") is comprised of approximately 48 squares miles and a population of 111,961 in the northeast corner of Marion County, Indiana. The School District includes the City of Lawrence and consists of 10 elementary schools (1-5), three middle school (6-8), two high schools, McKenzie Career Center and the KIND school-alternative program for middle and high school, and two centralized kindergarten sites. A five-member Board of School Trustees, elected to four-year terms, governs the School District. Administrative functions are carried out by a Superintendent of Schools appointed by the Board. A central office staff complements the leadership of the Superintendent. The Administration Center is located in Lawrence. The School District, as of March 2002, had a total staff of 2,175 personnel.

The most recent audit by the State Board of Accounts was filed on March 23, 2002 for the period July 1, 1999 to June 30, 2001. The current audit period for the School District began July 1, 2001 and will conclude June 30, 2003.

Past (2001-2002) and projected (2003-2004) enrollments are:

2001 – 14,783          2002 – 15,178          2003 – 16,075          2004 – 16,150

### Selected Statistical Information

<u>Tax Payment Year</u>	<u>Assessed Valuation <sup>(1)</sup></u>	<u>Tax Collections</u>	<u>Total School Tax Rate <sup>(1)</sup></u>	<u>State Aid</u>	<u>Total Debt Service</u>
1999	\$1,002,783,629	98.72%	\$5.7746	\$34,803,403	\$13,225,011
2000	1,060,355,310	101.39	5.692	41,417,406	13,814,738
2001	1,101,921,720	101.73	5.9083	46,419,261	14,312,474
2002	3,294,235,082	In Process	2.0486	48,670,379	14,523,158

- (1) Prior to the 2001 Pay 2002 tax year, the State of Indiana used a real property valuation system that arrived at a full valuation designated as the True Tax Value that was then divided by three to arrive at the Assessed Value of the property. For the 2001 Pay 2002 tax year and subsequent years, property is valued at True Tax Value rather than Assessed Value. This has generally resulted in tax rates of approximately one-third of that used in prior years since the valuation basis is three times higher.

**Unaudited Receipts & Disbursements  
Calendar Year 2001**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Transportation Fund</u>	<u>Bus Replacement Fund</u>	<u>Capital Projects Fund</u>	<u>Special Ed Pre-School</u>
Receipts:						
Property Taxes	\$ 29,829,872	\$14,829,803	\$ 6,144,228	\$ 822,361	\$12,789,736	\$ 109,211
Bank & Excise	3,115,341	1,548,774	641,682	85,884	1,335,716	11,406
State Grants	45,377,918	565,574	254,309	0	0	349,146
Miscellaneous	<u>16,288,302</u>	<u>750</u>	<u>3,613,024</u>	<u>5,154</u>	<u>142,050</u>	<u>0</u>
Total	<u>\$ 94,611,433</u>	<u>\$16,944,901</u>	<u>\$10,653,243</u>	<u>\$ 913,399</u>	<u>\$14,267,502</u>	<u>\$ 469,763</u>
Disbursements	<u>\$ 94,298,976</u>	<u>\$15,223,423</u>	<u>\$10,586,042</u>	<u>\$ 915,617</u>	<u>\$10,822,703</u>	<u>\$ 473,640</u>

**Anticipated Receipts & Disbursements  
Calendar Year 2002 Budget**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Transportation Fund</u>	<u>Bus Replacement Fund</u>	<u>Capital Projects Fund</u>	<u>Special Ed Pre-School</u>
Receipts:						
Property Taxes	\$ 30,349,788	\$16,149,460	\$ 6,525,880	\$ 1,446,169	\$12,860,694	\$ 180,710
Bank & Excise	2,641,937	1,409,396	567,820	125,834	1,119,033	9,459
State Grants	49,035,145	576,589	335,763	0	0	278,540
Miscellaneous	<u>6,430,316</u>	<u>0</u>	<u>371,892</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$ 88,457,186</u>	<u>\$18,135,445</u>	<u>\$ 7,801,355</u>	<u>\$ 1,572,003</u>	<u>\$13,979,727</u>	<u>\$ 468,709</u>
Disbursements	<u>\$ 88,274,255</u>	<u>\$15,628,421</u>	<u>\$ 7,759,579</u>	<u>\$ 1,770,400</u>	<u>\$14,446,124</u>	<u>\$ 459,954</u>

**Year End Cash Balances**

<u>As of Dec. 31</u>	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Transportation Fund</u>	<u>Bus Replacement Fund</u>	<u>Capital Projects Fund</u>	<u>Special Ed Pre-School</u>	<u>All Other</u>	<u>TOTAL</u>
1999	\$2,343,727	\$3,864,956	\$ 0	\$178,446	\$4,000,865	\$ 152,156	\$ 0	\$10,540,150
2000	2,507,479	3,563,593	0	283,506	4,404,514	113,148	0	10,872,240
2001	2,819,936	5,285,171	62,201	241,288	7,847,314	109,271	0	16,365,181

### Current School District Indebtedness As of June 1, 2002

General Obligation Bonds – Now Outstanding	\$ 5,900,000
– This Issue	16,000,000
Veterans and Common School Loans	728,102
Lease Obligations	<u>92,502,324</u>
Total School District Indebtedness	<u>\$ 115,130,426</u>
School District Indebtedness to True Tax Value	3.49%
Total School District Indebtedness Per Capita	\$1,028

### Ten Largest Taxpayers

<u>Name</u>	<u>2001/2002 Assessed Valuation</u>	<u>% of 2001/2002 Total Assessed Valuation</u>
Roche Diagnostics Corp.	\$102,189,540	3.10%
Ameritech	31,165,750	.95
DeBartelo	25,996,300	.79
Indianapolis Power & Light	24,494,600	.74
ZIRP – Castleton LLS	22,707,200	.69
AIMCO Lake Castleton	22,286,000	.68
Indianapolis Water Co.	18,322,790	.56
Citizens Gas & Coke	18,058,630	.55
Meijer	17,047,120	.52
Brendon Wayford XII	15,041,900	.46

## NORTHWEST ALLEN COUNTY SCHOOLS

### General

Northwest Allen County Schools (the “School Corporation”) is comprised of Eel River Township; Lake Township, including the Town of Arcola; and Perry Township, including the Town of Huntertown; all located entirely within Allen County, Indiana. Total land area for the School Corporation is approximately 109 square miles and makes up approximately 16.3% of the land area of Allen County. The population of the School District in 2000 was 23,159. A five-member Board of School Trustees, elected to four-year terms, governs the School Corporation. Administrative functions are carried out by a Superintendent of Schools appointed by the Board. A central office staff complements the leadership of the Superintendent. The Administration Center is located in the City of Fort Wayne. The School Corporation, as of March 2002, had a total staff of 353 personnel. Ten school buildings house education programs including five elementary schools, two middle schools, one high school, one youth service center and one alternative school.

The most recent audit by the State Board of Accounts was filed on February 18, 2002 for the period July 1, 1999 to June 30, 2001. The current audit period for the School Corporation began July 1, 2001 and will conclude June 30, 2003.

Past (2001-2002) and projected (2003-2004) enrollments are:

2001 – 4,559                      2002 – 4,791                      2003 – 5,012                      2004 – 5,205

### Selected Statistical Information

<u>Tax Payment Year</u>	<u>Assessed Valuation <sup>(1)</sup></u>	<u>Tax Collections</u>	<u>Total School Tax Rate <sup>(1)</sup></u>	<u>State Aid</u>	<u>Total Debt Service</u>
1999	\$ 203,306,000	98.82%	\$5.3017	\$ 12,893,028	\$4,081,961
2000	218,902,630	100.69	5.8257	13,645,593	4,729,944
2001	235,599,835	99.46	5.8003	14,674,010	5,421,919
2002	772,206,070	In Process	1.9861	16,269,076	5,577,188

- (1) Prior to the 2001 Pay 2002 tax year, the State of Indiana used a real property valuation system that arrived at a full valuation designated as the True Tax Value that was then divided by three to arrive at the Assessed Value of the property. For the 2001 Pay 2002 tax year and subsequent years, property is valued at True Tax Value rather than Assessed Value. This has generally resulted in tax rates of approximately one-third of that used in prior years since the valuation basis is three times higher.

**Unaudited Receipts & Disbursements  
Calendar Year 2001**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Transportation Fund</u>	<u>Bus Replacement Fund</u>	<u>Capital Projects Fund</u>	<u>Special Ed Pre-School</u>
Receipts:						
Property Taxes	\$ 6,927,722	\$ 4,581,614	\$ 843,118	\$ 265,496	\$ 950,441	\$ 23,433
Bank & Excise	1,171,589	774,924	142,586	44,900	160,735	3,963
State Grants	14,188,735	164,670	207,093	0	0	78,190
Miscellaneous	<u>1,072,191</u>	<u>2,581</u>	<u>2,537</u>	<u>0</u>	<u>21,719</u>	<u>187</u>
Total	<u>\$ 23,360,237</u>	<u>\$ 5,523,789</u>	<u>\$ 1,195,334</u>	<u>\$ 310,396</u>	<u>\$ 1,132,895</u>	<u>\$ 105,773</u>
Disbursements	<u>\$ 22,587,923</u>	<u>\$ 5,436,201</u>	<u>\$ 1,293,872</u>	<u>\$ 277,904</u>	<u>\$ 1,289,542</u>	<u>\$ 88,119</u>

**Anticipated Receipts & Disbursements  
Calendar Year 2002 Budget**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Transportation Fund</u>	<u>Bus Replacement Fund</u>	<u>Capital Projects Fund</u>	<u>Special Ed Pre-School</u>
Receipts:						
Property Taxes	\$ 7,489,627	\$ 4,713,546	\$ 921,242	\$ 294,983	\$ 1,731,286	\$ 25,483
Bank & Excise	1,004,056	631,895	145,034	39,545	233,035	3,963
State Grants	15,837,154	174,480	172,925	0	0	78,190
Miscellaneous	<u>655,317</u>	<u>0</u>	<u>2,000</u>	<u>0</u>	<u>15,000</u>	<u>187</u>
Total	<u>\$ 24,986,154</u>	<u>\$ 5,519,921</u>	<u>\$ 1,241,201</u>	<u>\$ 334,528</u>	<u>\$ 1,979,321</u>	<u>\$ 107,823</u>
Disbursements	<u>\$ 25,034,066</u>	<u>\$ 5,635,289</u>	<u>\$ 1,417,695</u>	<u>\$ 411,391</u>	<u>\$ 2,053,289</u>	<u>\$ 88,119</u>

**Year End Cash Balances**

As of <u>Dec. 31</u>	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Transportation Fund</u>	<u>Bus Replacement Fund</u>	<u>Capital Projects Fund</u>	<u>Special Ed Pre-School</u>	<u>All Other</u>	<u>TOTAL</u>
1999	\$3,796,344	\$2,254,144	\$ 187,960	\$ 8,029	\$ 279,432	\$ 4,166	\$ 1,236,421	\$ 7,766,496
2000	5,126,546	2,874,456	146,896	48,399	610,341	24,433	1,148,255	9,979,326
2001	5,898,860	2,961,943	48,358	80,890	453,693	42,087	1,426,690	10,912,521

### Current School Corporation Indebtedness As of June 1, 2002

General Obligation Bonds – Now Outstanding	\$ 530,000
– This Issue	1,900,000
Veterans and Common School Loans	0
Lease Obligations	<u>60,030,000</u>
Total School Corporation Indebtedness	<u>\$ 62,460,000</u>
School Corporation Indebtedness to True Tax Value	8.09%
Total School Corporation Indebtedness Per Capita	\$2,697

### Ten Largest Taxpayers

<u>Name</u>	2001/2002 Assessed <u>Valuation</u>	% of 2001/2002 Total Assessed <u>Valuation</u>
Northeastern REMC	\$ 8,088,510	1.05%
GTE North / Verizon	6,327,600	0.82
Utility Center	3,634,980	0.47
Indiana Michigan Power	2,566,280	0.33
Tokheim Corp.	2,211,270	0.29
Pine Valley, Inc.	2,118,400	0.27
Chemical Engineering Corp.	2,036,450	0.26
Northern Indiana Public / NIPSCO	1,823,550	0.24
Wickes Lumber	1,630,450	0.21
Autumn Ridge Golf Course	1,607,500	0.21



**WA-NEE COMMUNITY SCHOOLS****General**

Wa-Nee Community Schools encompasses approximately 144 square miles of which 108 square miles are in Elkhart County including the Townships of Harrison, Locke, Olive and Union and 36.5 square miles in Kosciusko County including the Townships of Jefferson (West) and Scott. The School Corporation also includes the City of Nappanee and the Town of Wakarusa. The School District had a 2000 population of 18,480. A seven-member Board of School Trustees, elected to four-year terms, governs the School Corporation. Administrative functions are carried out by a Superintendent of Schools appointed by the Board. A central office staff complements the leadership of the Superintendent. The Administration Center is located in the City of Nappanee. The School Corporation, as of March 2002, had a total staff of 377 personnel. Five school buildings house education programs for the School Corporation including three elementary schools, one middle school and one high school.

The most recent audit by the State Board of Accounts was filed on March 13, 2001 for the period July 1, 1998 to June 30, 2000. The current audit period for the School Corporation began July 1, 2000 and will conclude June 30, 2002.

Past (2001-2002) and projected (2003-2004) enrollments are:

2001 – 2,963                      2002 – 2,933                      2003 – 3,017                      2004 – 3,070

**Selected Statistical Information**

<u>Tax Payment Year</u>	<u>Assessed Valuation <sup>(1)</sup></u>	<u>Tax Collections</u>	<u>Total School Tax Rate Elkhart Co. <sup>(1)</sup></u>	<u>Total School Tax Rate Kosciusko Co. <sup>(1)</sup></u>	<u>State Aid</u>	<u>Total Debt Service</u>
1999	\$205,439,015	103.44%	\$4.9816	\$5.1803	\$7,838,903	\$3,499,110
2000	211,362,500	102.98	5.0608	5.2705	8,305,875	3,547,089
2001	219,356,690	98.73	4.9536	5.1763	8,861,392	3,773,382
2002	666,232,360	In Process	1.8076	1.9536	9,248,311	4,766,290

- (1) Prior to the 2001 Pay 2002 tax year, the State of Indiana used a real property valuation system that arrived at a full valuation designated as the True Tax Value that was then divided by three to arrive at the Assessed Value of the property. For the 2001 Pay 2002 tax year and subsequent years, property is valued at True Tax Value rather than Assessed Value. This has generally resulted in tax rates of approximately one-third of that used in prior years since the valuation basis is three times higher.

**Unaudited Receipts & Disbursements  
Calendar Year 2001**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Transportation Fund</u>	<u>Bus Replacement Fund</u>	<u>Capital Projects Fund</u>	<u>Special Ed Pre-School</u>
Receipts:						
Property Tax	\$5,604,464	\$ 3,427,107	\$ 921,756	\$ 179,333	\$1,059,638	\$ 21,729
Bank & Excise	510,269	311,924	83,895	16,322	96,445	1,978
State Grants	8,571,366	109,555	67,657	0	0	112,814
Miscellaneous	<u>702,906</u>	<u>2,853</u>	<u>9,591</u>	<u>0</u>	<u>41,756</u>	<u>0</u>
Total	<u>\$15,389,005</u>	<u>\$ 3,851,439</u>	<u>\$ 1,082,899</u>	<u>\$ 195,655</u>	<u>\$1,197,839</u>	<u>\$136,521</u>
Disbursements	<u>\$15,531,961</u>	<u>\$ 3,773,382</u>	<u>\$ 1,174,247</u>	<u>\$ 194,875</u>	<u>\$1,927,134</u>	<u>\$150,559</u>

**Anticipated Receipts & Disbursements  
Calendar Year 2002 Budget**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Transportation Fund</u>	<u>Bus Replacement Fund</u>	<u>Capital Projects Fund</u>	<u>Special Ed Pre-School</u>
Receipts:						
Property Tax	\$5,975,749	\$ 4,385,599	\$1,096,736	\$ 242,709	\$1,214,582	\$ 22,005
Bank & Excise	450,348	336,467	84,142	18,624	93,184	1,688
State Grants	8,950,377	110,364	72,056	0	0	115,514
Miscellaneous	<u>509,111</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>10,000</u>	<u>0</u>
Total	<u>\$15,885,585</u>	<u>\$ 4,832,430</u>	<u>\$ 1,252,934</u>	<u>\$ 261,333</u>	<u>\$1,317,766</u>	<u>\$139,207</u>
Disbursements	<u>\$16,102,046</u>	<u>\$ 4,766,290</u>	<u>\$ 1,282,115</u>	<u>\$ 277,784</u>	<u>\$1,263,300</u>	<u>\$137,500</u>

**Year End Cash Balances**

As of <u>Dec. 31</u>	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Transportation Fund</u>	<u>Bus Replacement Fund</u>	<u>Capital Projects Fund</u>	<u>Special Ed Pre-School</u>	<u>All Other</u>	<u>TOTAL</u>
1999	\$ 613,149	\$170,581	\$ 200,291	\$ 0	\$1,393,301	\$90,687	\$1,655,565	\$ 4,123,574
2000	1,193,647	258,222	303,952	35,381	1,228,901	76,136	2,048,130	5,144,369
2001	1,050,691	336,279	212,603	36,162	499,607	62,097	1,560,966	3,758,405

### Current School Corporation Indebtedness

General Obligation Bonds – Now Outstanding	\$ 1,320,000
– This Issue	3,120,000
Veterans & Common School Loans	197,884
Lease Obligations	<u>41,454,175</u>
Total School Corporation Indebtedness	<u>\$ 46,092,059</u>
School Corporation Indebtedness to True Tax Value	6.91%
Total School Corporation Indebtedness Per Capita	\$ 2,494

### Ten Largest Taxpayers

<u>Name and Type of Business</u>	2001/2002 Assessed <u>Valuation</u>	% of 2001/2002 Total Assessed <u>Valuation</u>
Monaco Coach	\$36,327,540	5.45%
Utilimaster	27,439,170	4.12
Fairmont Homes	21,256,530	3.19
Newmar Corp.	14,859,940	2.23
Fabwel, Inc.	11,540,5901.73	
Gulf Stream Coach	10,887,910	1.63
NIPSCO	8,811,9201.32	
Dutch Real Estate	6,595,300	0.99
Travel Supreme	5,891,540	0.88
Amish Acres	5,103,5200.77	

## MITCHELL COMMUNITY SCHOOLS

### General

Mitchell Community Schools (the “School Corporation”) began operating as an Indiana organized school corporation on January 1, 1965. The School Corporation is comprised of Bono, Marion, and Spice Valley (south) Townships, all in Lawrence County, Indiana. The School Corporation also includes the City of Mitchell. Total land area for the School Corporation is approximately 120 square miles. The 2000 population of the school district was 12,713. A five member Board of School Trustees, elected to four-year staggered terms, governs the School Corporation. Administrative office staff complements the leadership of the Superintendent. The central office facilities are located in the City of Mitchell. The School Corporation, as of February 2002, had a total staff of 230 including 118 certified, 102 non-certified personnel, and 10 administrative personnel. Four school buildings house educational programs for the School Corporation.

The most recent audit by the State Board of Accounts was filed January 4, 2002 for the period July 1, 1999 to June 30, 2001. The current audit period runs from July 1, 2001 to June 30, 2003. Copies of the most recent State Board of Accounts Audit and annual financial reports (Form 9) are available upon request to the Indiana Bond Bank.

Past (2001-2002) and projected (2003-2004) enrollments are:

2001 – 2,119                      2002 – 2,097                      2003 – 2,105                      2004 – 2,090

### Selected Statistical Information

<u>Tax Payment Year</u>	<u>Assessed Valuation <sup>(1)</sup></u>	<u>Tax Collections</u>	<u>Total School Tax Rate <sup>(1)</sup></u>	<u>State Aid</u>	<u>Total Debt Service</u>
1999	\$ 69,180,020	101.5%	\$5.4208	\$ 7,524,028	\$ 1,330,398
2000	70,004,450	100.3	6.7400	8,020,993	1,847,703
2001	76,709,660	101.5	6.0919	8,271,009	1,814,586
2002	223,953,200	In Process	2.0123	8,777,976	1,817,017

- (1) Prior to the 2001 Pay 2002 tax year, the State of Indiana used a real property valuation system that arrived at a full valuation designated as the True Tax Value that was then divided by three to arrive at the Assessed Value of the property. For the 2001 Pay 2002 tax year and subsequent years, property is valued at True Tax Value rather than Assessed Value. This has generally resulted in tax rates of approximately one-third of that used in prior years since the valuation basis is three times higher.

**Unaudited Receipts & Disbursements  
Calendar Year 2001**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Transportation Fund</u>	<u>Bus Replacement Fund</u>	<u>Capital Projects Fund</u>	<u>Special Ed Pre-School</u>
Receipts:						
Property Taxes	\$ 2,029,624	\$ 1,434,737	\$ 423,468	\$ 39,177	\$ 500,976	\$ 6,635
Bank & Excise	307,455	232,747	68,697	6,356	81,271	1,076
State Grants	8,292,009	36,857	202,236	0	0	67,079
Miscellaneous	<u>705,237</u>	<u>24,372</u>	<u>7,578</u>	<u>664</u>	<u>8,510</u>	<u>112</u>
Total	<u>\$ 11,334,325</u>	<u>\$ 1,728,713</u>	<u>\$ 701,979</u>	<u>\$ 46,197</u>	<u>\$ 590,756</u>	<u>\$ 74,902</u>
Disbursements	<u>\$ 10,609,815</u>	<u>\$ 1,822,336</u>	<u>\$ 672,073</u>	<u>\$ 48,981</u>	<u>\$ 522,494</u>	<u>\$ 68,198</u>

**Anticipated Receipts & Disbursements  
Calendar Year 2002 Budget**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Transportation Fund</u>	<u>Bus Replacement Fund</u>	<u>Capital Projects Fund</u>	<u>Special Ed Pre-School</u>
Receipts:						
Property Taxes	\$ 2,065,969	\$ 1,417,624	\$ 452,834	\$ 51,957	\$ 511,285	\$ 6,943
Bank & Excise	285,573	196,047	62,625	7,491	73,521	960
State Grants	8,497,683	37,826	199,916	0	0	39,360
Miscellaneous	<u>211,329</u>	<u>24,014</u>	<u>7,671</u>	<u>918</u>	<u>9,006</u>	<u>118</u>
Total	<u>\$ 11,060,554</u>	<u>\$ 1,675,511</u>	<u>\$ 723,046</u>	<u>\$ 60,366</u>	<u>\$ 593,812</u>	<u>\$ 47,381</u>
Disbursements	<u>\$ 12,905,184</u>	<u>\$ 1,824,188</u>	<u>\$ 919,119</u>	<u>\$ 62,500</u>	<u>\$ 681,810</u>	<u>\$ 51,140</u>

**Year End Cash Balances**

As of <u>Dec. 31</u>	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Transportation Fund</u>	<u>Bus Replacement Fund</u>	<u>Capital Projects Fund</u>	<u>Special Ed Pre-School</u>	<u>All Other</u>	<u>TOTAL</u>
1999	\$3,010,858	\$61,539	\$ 373,901	\$ 0	\$ 260,139	\$22,818	\$1,397,030	\$ 5,126,285
2000	3,687,625	195,978	394,715	0	337,641	11,816	717,956	5,345,731
2001	4,412,136	102,357	412,805	9,033	405,904	6,705	851,761	6,200,701

### Current School Corporation Indebtedness As of June 1, 2002

General Obligation Bonds – Now Outstanding	\$ 0
– This Issue	1,490,000
Veterans and Common School Loans	862,500
Lease Obligations	<u>15,730,000</u>
Total School Corporation Indebtedness	<u>\$ 18,082,500</u>
School Corporation Indebtedness to True Tax Value	8.07%
Total School Corporation Indebtedness Per Capita	\$1,422.36

### Ten Largest Taxpayers

<u>Name</u>	2001/2002 Assessed <u>Valuation</u>	% of 2001/2002 Total Assessed <u>Valuation</u>
Lehigh Portland Cement Co.	\$27,604,110	12.3%
PSI Indiana	6,429,210	2.9
Dana Corporation	6,325,460	2.8
Regal - Beloitte Corporation	4,818,110	2.2
Ferguson Enterprises	2,491,680	1.1
Verizon North	2,135,060	1.0
Contech Construction Products	1,774,210	0.8
CSX Transportation	1,354,100	0.6
A.N.R. Pipeline Co.	1,134,150	0.5

**APPENDIX B**  
DEFINITIONS

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## APPENDIX B

The following are definitions of certain of the terms used in this Official Statement and defined in the Indenture:

“Accounts” means the accounts created under the Indenture.

“Act” means the provisions of Indiana Code 5-1.5, as from time to time amended.

“Authorized Officer” means the Chairman, Vice Chairman or Executive Director of the Bond Bank or such other person or persons who are duly authorized to act on behalf of the Bond Bank.

“Bankruptcy Code” means the Bankruptcy Reform Act of 1978, as amended from time to time.

“Bond Bank” means the Indiana Bond Bank, a body corporate and politic, not a state agency, but an independent public instrumentality of the State exercising essential public functions, or any successor to its functions.

“Bondholder” or “holder of Bonds” or “owner of Bonds” or any similar term means the registered owner of any Bond.

“Bond Insurance Policy” means the financial guaranty insurance policy issued by the Bond Insurer insuring the payment when due of the principal of, and interest on, the Bonds as provided therein.

“Bond Insurer” means Financial Guaranty Insurance Company.

“Bond Issuance Expense Account” means the account by that name created under the Indenture.

“Bonds” means the Bond Bank’s Taxable School Severance Funding Bonds, Series 2 and any Refunding Bonds.

“Cash Flow Certificate” means a certificate prepared by an accountant or firm of accountants in accordance with the Indenture concerning anticipated Revenues and payments.

“Clearing Agency” means initially The Depository Trust Company, and its successors and assigns, including any surviving, resulting or transferee corporation, or any successor corporation that may be appointed in a manner consistent with the Indenture and will include any direct or indirect participants of The Depository Trust Company.

“Code” means the Internal Revenue Code of 1986 in effect on the date of issuance of the Bonds, and the applicable regulations or rulings promulgated or proposed thereunder, and any successor thereto.

“Costs of Issuance” means items of expense payable or reimbursable directly or indirectly by the Bond Bank and related to the authorization, sale and issuance of Bonds, which items of expense will include, but not be limited to, printing costs, costs of reproducing documents, filing and recording fees, initial fees and charges of the Trustee, underwriter’s discounts, legal fees and charges, professional consultants’ fees, costs of credit ratings, fees and charges for execution, transportation and safekeeping of Bonds, bond or reserve fund insurance premiums, credit enhancements (including Credit Facilities) or liquidity facility fees, and other costs, charges and fees in connection with the foregoing.

“Counsel” means an attorney duly admitted to practice law before the highest court of any state and approved by the Bond Bank.

“Credit Facility” means any letter of credit, revolving credit agreement, surety bond, insurance policy or other agreement or instrument.

“Credit Provider” means the issuer of any Credit Facility and its successor in such capacity and their assigns. To qualify under the Indenture, the Credit Provider providing such Credit Facility will be either:

- (i) an insurer whose municipal bond insurance policies insuring the payment, when due, of the principal of and interest on municipal bond issues results in such issues being rated in a rating category that is at least as high as the rating assigned to the Bonds by the rating agency or agencies rating the Bonds; or

- (ii) a bank or trust company which at the time of issuance of such Credit Facility has an outstanding, unsecured, uninsured and unguaranteed debt issue rated in a rating category that is at least as high as the rating assigned to the Bonds by the rating agency or agencies rating the Bonds.

“Default” means an event or condition, the occurrence of which, with the lapse of time or the giving of notice or both, would become an Event of Default under the Indenture.

“Event of Default” means any occurrence of an event specified in the Indenture.

“Fees and Charges” means fees and charges established by the Bond Bank from time to time pursuant to the Act which are payable by the Qualified Entities.

“Fiscal Year” means the twelve month period from July 1 through the following June 30.

“Funds” means the funds created under the Indenture.

“General Account” means the account by that name created under the Indenture.

“General Fund” means the fund by that name created under the Indenture.

“Governmental Obligations” means (a) direct obligations of (including obligations issued or held in book-entry form on the books of) the Department of Treasury of the United States of

America or (b) senior debt obligations of other government sponsored agencies approved by the Bond Insurer.

“Indenture” means the Trust Indenture, dated as of August 15, 2002 between the Bond Bank and the Trustee, and all supplements and amendments entered into thereunder.

“Interest Payment Date” means any date on which interest is payable on the Bonds.

“Investment Earnings” means earnings and profits (after consideration of any accrued interest paid and/or amortization of premiums or discount on the investment) on the moneys in the Funds and Accounts established under the Indenture, except the Rebate Fund.

“Investment Securities” means any of the following: (a) Governmental Obligations; (b) obligations of any of the following federal agencies, which obligations represent the full faith and credit of the United States of America, including: Export-Import Bank; Farm Credit System Financial Assurance Corporation; Rural Economic Community Development Administration (formerly the Farmers Home Administration); General Services Administration; United States Maritime Administration; Small Business Administration; Government National Mortgage Association (“GNMA”); United States Department of Housing and Urban Development (“PHAs”); Federal Housing Administration; and Federal Financing Bank; (c) direct obligations of any of the following federal agencies, which obligations are not fully guaranteed by the full faith and credit of the United States of America: senior debt obligations rated “Aaa” by Moody’s and “AAA” by S&P issued by the Federal National Mortgage Association (“FNMA”) or Federal Home Loan Mortgage Corporation (“FHLMC”); obligations of the Resolution Funding Corporation (“REFCORP”); senior debt obligations of the Federal Home Loan Bank System; and senior debt obligations of other government sponsored agencies approved by the Bond Insurer; (d) United States dollar denominated accounts, federal funds and bankers’ acceptances with domestic commercial banks, which have a rating on their short term certificates of deposit on the date of purchase of “A-1” or “A-1+” by S&P and maturing no more than 360 calendar days after the date of purchase (ratings on holding companies are not considered as the rating of the bank); (e) commercial paper which is rated at the time of purchase in the single highest classification, “A-1+” by S&P and which matures not more than 270 calendar days after the date of purchase; (f) investments in a money market fund rated “AAAm-G” or better by S&P, which funds may be funds of the Trustee; (g) “Pre-refunded Municipal Obligations” defined as follows: any obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state, which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and (A) which are rated, based on an irrevocable escrow account or fund (the “escrow”), in the highest rating category of S&P or any successors thereto; or (B)(i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or Governmental Obligations, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the obligations described in this clause (B) on the maturity date or dates specified in the irrevocable instructions referred to above, as

appropriate; (h) municipal obligations rated “Aaa/AAA” or general obligations of states with a rating of at least “A2/A” or higher by S&P; (i) investment agreements approved in writing by the Bond Insurer, supported by appropriate opinions of counsel; and (j) other forms of investments (including repurchase agreements) approved in writing by the Bond Insurer.

“Opinion of Bond Counsel” means an Opinion of Counsel by a nationally recognized firm experienced in matters relating to the tax exemption for interest payable on obligations of states and their instrumentalities and political subdivisions under federal law and which is acceptable to the Bond Bank and the Trustee.

“Opinion of Counsel” means a written opinion of Counsel addressed to the Trustee, for the benefit of the owners of the Bonds, who may (except as otherwise expressly provided in the Indenture) be Counsel to the Bond Bank or Counsel to the owners of the Bonds and who is acceptable to the Trustee.

“Outstanding” or “Bonds Outstanding” means all Bonds which have been authenticated and delivered by the Trustee under the Indenture, including Bonds held by the Bond Bank, except:

- (i) Bonds canceled after purchase in the open market or because of payment at or redemption prior to maturity;
- (ii) Bonds deemed paid under the Indenture; and
- (iii) Bonds in lieu of which other Bonds have been authenticated under the Indenture.

“Principal Payment Date” means the maturity date or the mandatory sinking fund redemption date of any Bond.

“Program” means the program for purchasing Qualified Obligations by the Bond Bank pursuant to the Act.

“Program Expenses” means all of the fees and expenses of the Trustee and costs of determining the amount rebatable, if any, to the United States of America under the Indenture, all to the extent properly allocable to the Program.

“Purchase Agreement” means a Qualified Entity Purchase Agreement between the Bond Bank and a Qualified Entity, pursuant to which one or more Qualified Obligations are sold to the Bond Bank.

“Qualified Entity” means an entity defined in Indiana Code 5-1.5-1-8, as amended from time to time, which is a school corporation.

“Qualified Obligation” means a Security (as that term is defined in the Act), which has been acquired by the Bond Bank pursuant to the Indenture and is a general obligation of a Qualified Entity.

“Qualified Obligation Interest Payment” means that portion of a Qualified Obligation Payment which represents the interest due or to become due on a Qualified Obligation held by the Trustee pursuant to the Indenture.

“Qualified Obligation Payment” means the amounts paid or required to be paid, from time to time, for the principal of and interest on a Qualified Obligation held by the Trustee pursuant to the Indenture.

“Qualified Obligation Principal Payment” means that portion of a Qualified Obligation Payment which represents the principal due or to become due on a Qualified Obligation held by the Trustee pursuant to the Indenture.

“Rating Agency” or “Rating Agencies” means at any particular time Fitch, Moody’s or S&P, if at such time such entity has assigned a rating to the Bonds. If either such corporation ceases to act as a securities rating agency, the Bond Bank may appoint any other nationally recognized securities rating agency as a replacement.

“Record Date” means, with respect to any Interest Payment Date, the last day of the month next preceding such Interest Payment Date.

“Redemption Account” means the account by that name created under the Indenture.

“Redemption Price” means, with respect to any Bond, the principal amount thereof, plus the applicable premium, if any, payable upon redemption prior to maturity.

“Refunding Bonds” means Bonds issued pursuant to the Indenture and any Supplemental Indenture.

“Revenues” means the Funds and Accounts and all income, revenues and profits of the Funds and Accounts referred to in the granting clauses of the Indenture including, without limitation, all Qualified Obligation Payments.

“S&P” means Standard & Poor’s Ratings Services, a Division of The McGraw-Hill Companies, or any successor thereto.

“Series of Bonds” or “Bonds of a Series” or “Series” or words of similar meaning means any Series of Bonds authorized by the Indenture or by a Supplemental Indenture.

“State” means the State of Indiana.

“Supplemental Indenture” means an indenture supplemental to or amendatory of the Indenture, executed by the Bond Bank and the Trustee in accordance with the Indenture.

“Trustee” means Fifth Third Bank, Indiana.

“Trust Estate” means the property, rights, and amounts pledged and assigned to the Trustee pursuant to the granting clause of the Indenture.

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## **APPENDIX C**

### **FORM OF BOND COUNSEL OPINION**

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Upon delivery of the Bonds, Ice Miller, bond counsel,  
proposes to deliver an opinion in substantially the following form:

\_\_\_\_\_, 2002

City Securities Corporation,  
as representative of the purchasers  
Indianapolis, IN  
Indiana Bond Bank  
Indianapolis, Indiana

Re: Indiana Bond Bank Taxable School Severance Funding Bonds, Series 2  
("Bonds"); Total Issue: \$32,280,000

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Bond Bank ("Issuer") of its Bonds, dated September 10, 2002, in the aggregate principal amount of \$32,280,000 pursuant to a Trust Indenture, dated as of August 15, 2002 ("Indenture"), between the Issuer and Fifth Third Bank, Indiana, as Trustee, Registrar and Paying Agent. We have examined the law and the certified transcript of proceedings of the Issuer had relative to the authorization, issuance and sale of the Bonds and such other papers as we deem necessary to render this opinion. We have relied upon the certified transcript of proceedings and other certificates of public officials and we have not undertaken to verify any facts by independent investigation.

Based upon our examination, we are of the opinion, as of the date hereof, as follows:

1. The Bonds are valid and binding limited obligations of the Issuer enforceable in accordance with their respective terms and are payable from and secured only by the Trust Estate (as defined in the Indenture).
2. The Indenture is a valid and binding agreement of the Bond Bank, enforceable in accordance with its terms. The Indenture creates the valid pledge which it purports to create of the Trust Estate, subject to application to the purposes and on the conditions permitted by the Indenture.
3. Under statutes, decisions, regulations and rulings existing on this date, interest on the Bonds is exempt from income taxation in the State of Indiana ("State"). This opinion relates only to the exemption of interest on the Bonds from State income taxes.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statements or any other offering material relating to the Bonds, and we express no opinion relating thereto.

It is to be understood that the rights of the owners of the Bonds and the enforceability thereof and of the Indenture may be subject to the valid exercise of the constitutional powers of the State and the United States of America. It is to be further understood that the rights of the owners of the Bonds and the enforceability thereof and of the Indenture may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and that their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity.

Very truly yours,

## **APPENDIX D**

### **SPECIMEN BOND INSURANCE POLICY**

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Financial Guaranty Insurance  
Company  
115 Broadway  
New York, NY 10006  
(212) 312-3000  
(800) 352-0001

A GE Capital Company



## Municipal Bond New Issue Insurance Policy

**Issuer:**

**Policy Number:**

**Control Number:** 0010001

**Bonds:**

**Premium:**

Financial Guaranty Insurance Company ("Financial Guaranty"), a New York stock insurance company, in consideration of the payment of the premium and subject to the terms of this Policy, hereby unconditionally and irrevocably agrees to pay to State Street Bank and Trust Company, N.A., or its successor, as its agent (the "Fiscal Agent"), for the benefit of Bondholders, that portion of the principal and interest on the above-described debt obligations (the "Bonds") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

Financial Guaranty will make such payments to the Fiscal Agent on the date such principal or interest becomes Due for Payment or on the Business Day next following the day on which Financial Guaranty shall have received Notice of Nonpayment, whichever is later. The Fiscal Agent will disburse to the Bondholder the face amount of principal and interest which is then Due for Payment but is unpaid by reason of Nonpayment by the Issuer but only upon receipt by the Fiscal Agent, in form reasonably satisfactory to it, of (i) evidence of the Bondholder's right to receive payment of the principal or interest Due for Payment and (ii) evidence, including any appropriate instruments of assignment, that all of the Bondholder's rights to payment of such principal or interest Due for Payment shall thereupon vest in Financial Guaranty. Upon such disbursement, Financial Guaranty shall become the owner of the Bond, appurtenant coupon or right to payment of principal or interest on such Bond and shall be fully subrogated to all of the Bondholder's rights thereunder, including the Bondholder's right to payment thereof.

This Policy is non-cancellable for any reason. The premium on this Policy is not refundable for any reason, including the payment of the Bonds prior to their maturity. This Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Bond.

As used herein, the term "Bondholder" means, as to a particular Bond, the person other than the Issuer who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof. "Due for Payment" means, when referring to the principal of a Bond, the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity and means, when referring to interest on a Bond, the stated date

Financial Guaranty Insurance  
Company  
115 Broadway  
New York, NY 10006  
(212) 312-3000  
(800) 352-0001

A GE Capital Company



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## Municipal Bond New Issue Insurance Policy

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for payment of interest. "Nonpayment" in respect of a Bond means the failure of the Issuer to have provided sufficient funds to the paying agent for payment in full of all principal and interest Due for Payment on such Bond. "Notice" means telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from a Bondholder or a paying agent for the Bonds to Financial Guaranty. "Business Day" means any day other than a Saturday, Sunday or a day on which the Fiscal Agent is authorized by law to remain closed.

In Witness Whereof, Financial Guaranty has caused this Policy to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

A handwritten signature in black ink, appearing to be "A. L. H.", with a long horizontal stroke extending to the right.

**President**

**Effective Date:**

**Authorized Representative**

State Street Bank and Trust Company, N.A., acknowledges that it has agreed to perform the duties of Fiscal Agent under this Policy.

A handwritten signature in black ink, appearing to be "Quincy Thomas", with a long horizontal stroke extending to the right.

**Authorized Officer**

## **APPENDIX E**

### **SUMMARY OF CERTAIN LEGAL DOCUMENTS**

E-1 Summary of Certain Provisions of the Indenture

E-2 Terms of Purchase Agreements

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## **APPENDIX E-1**

### **SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE**

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## **SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE**

The following is a summary of certain additional provisions of the Indenture not otherwise discussed in this Official Statement. This summary is qualified in its entirety by reference to the Indenture. Capitalized terms in this summary not defined in this Official Statement shall have the meanings set forth in the Indenture.

### **Revenues, Funds And Accounts**

A. Creation of Funds and Accounts.

The Indenture establishes the following Funds and Accounts to be held by the Trustee:

1. General Fund-comprised of the following:

- (a) General Account
- (b) Redemption Account
- (c) Bond Issuance Expense Account

B. Deposit of Net Proceeds of Bonds, Revenues and Other Receipts.

The Trustee will deposit the proceeds (net of underwriter's discount) from the sale of the Bonds, as follows:

- (a) Into the Bond Issuance Expense Account an amount sufficient to pay the Costs of Issuance (other than underwriter's discount and the bond insurance premium paid by the Underwriter directly to the Bond Insurer); and
- (b) Into the General Account, the remainder of the net proceeds, a portion of which will be used in purchasing Qualified Obligations, and the remaining portion for paying a portion of the interest on the Bonds on January 15, 2003.

The Trustee will deposit all Revenues and all other receipts (except the proceeds of the Bonds and moneys received upon the sale or optional redemption prior to maturity of Qualified Obligations) into the General Account.

The Trustee will deposit the proceeds of any Refunding Bonds in the manner provided in the Supplemental Indenture authorizing the issuance thereof.

## **Operation of Funds and Accounts**

### **A. General Fund.**

1. General Account. The Trustee will make the following payments from the General Account on the specified dates, and, in the event of insufficient funds to make all of such required payments, with the following order of priority:
  - (a) On the date of initial delivery of the Bonds, to purchase the Qualified Obligations upon the submission of requisitions of the Bond Bank signed by an Authorized Officer stating that all requirements with respect to such financing set forth in the Indenture have been or will be complied with;
  - (b) On or before 10:00 A.M. in the city in which the Trustee is located on the business day next preceding each Interest Payment Date, such amount as will be necessary to pay the principal and interest coming due on the Bonds on such Interest Payment Date;
  - (c) After making such deposits and disbursements, the Trustee will retain such remaining amounts in the General Account to be used from time to time for the purposes set forth in paragraph (b) above. Upon final maturity of the Bonds, any money remaining in the General Account which is not needed to pay any of the costs set forth in paragraph (b) above in connection with the final maturity of the Bonds will be transferred within thirty (30) days after such final maturity to the Qualified Entities. However, the Bond Bank must supply the Trustee with a Cash Flow Certificate to the effect that, after such transfer, Revenues expected to be received and money expected to be held in the Funds and Accounts will at least equal debt service on all Outstanding Bonds.
2. Redemption Account. The Trustee will deposit in the Redemption Account all money received from the sale or optional mandatory redemption prior to maturity of Qualified Obligations and all other money required to be deposited therein pursuant to the provisions of the Indenture, and will invest such funds pursuant to the Indenture, and will disburse the funds in the Redemption Account as follows:
  - (a) On the fifteenth day of each month, to the General Account an amount equal to the principal which would have been payable during the following month if such Qualified Obligations had not been sold or redeemed.
  - (b) On the second business day prior to each Interest Payment Date, if moneys in the General Account are not sufficient to make the payments of principal and interest required to be made on such date, to the General Account such amounts as are not already committed to the redemption of Bonds for which notice of redemption has already been given.

- (c) After provision has been made for the required transfers to the General Account, (i) to redeem Bonds of such maturity or maturities as directed by an Authorized Officer of the Bond Bank, if such Bonds are then subject to redemption, or (ii) to purchase Bonds of such maturity or maturities as directed by an Authorized Officer of the Bond Bank at the most advantageous price obtainable with reasonable diligence, whether or not such Bonds are then subject to redemption and not in excess of the applicable redemption price for such Bonds. The Trustee will pay the interest accrued on the Bonds so purchased to the date of delivery from the General Account and the balance of the purchase price from the Redemption Account, but no such purchase will be made by the Trustee within the period of forty-five (45) days next preceding an interest payment date or a date on which such Bonds are subject to redemption under the provisions of the Indenture.

In the event the Trustee is unable to purchase Bonds in accordance with subparagraph (c), then, subject to restrictions on redemption set forth in the Indenture (see "The Bonds - Optional Redemption"), the Trustee will call for redemption on the next ensuing redemption date such amount of the Bonds of such maturity or maturities as directed by an Authorized Officer as, at the Redemption Price thereof, will exhaust the Redemption Account as nearly as may be possible. Such redemption will be made pursuant to the Indenture. The Trustee will pay the interest accrued on the Bonds so redeemed to the date of redemption from the General Account and will pay the Redemption Price from the Redemption Account.

3. Bond Issuance Expense Account. The Trustee will deposit in the Bond Issuance Expense Account the money required to be deposited by the Indenture, will invest such funds pursuant to the Indenture and will disburse the funds held in the Bond Issuance Expense Account upon receipt of acceptable invoices or requisitions, to pay the Costs of Issuance of the Bonds or to reimburse the Bond Bank for amounts previously advanced for such costs. The Trustee will transfer any funds remaining in the Bond Issuance Expense Account to the General Account on December 1, 2002.

B. Amounts Remaining in Funds.

Any amounts remaining in any Fund or Account after full payment of all of the Bonds outstanding under the Indenture and the fees, charges and expenses of the Trustee will be distributed to the Bond Bank, unless otherwise provided for in the Indenture.

C. Investment of Funds.

Any money held as a part of any Fund or Account under the Indenture will be invested and reinvested at all times as continuously as reasonably possible by the Trustee in such Investment Securities as may be directed by the Bond Bank; provided, however, in the absence of such direction, the Trustee will invest any previously uninvested moneys and any moneys not

specifically allocated for investment in an alternate Investment Security in the Fifth Third Bank U.S. Treasury Money Market Fund. All such investments will be a part of the Fund or Account from which moneys were used to acquire such investments, and all income and profits on such investments will be deposited in the General Account. The Trustee will not be liable for any investment losses. Moneys in any Funds or Accounts will be invested in Investment Securities with maturity dates (or redemption dates determinable at the option of the owner of the Investment Security) coinciding as nearly as practicable with the times at which moneys in such Funds or Accounts will be required for transfer or disbursement under the Indenture. The Trustee will sell and reduce to cash sufficient amounts of such Investment Securities in a respective Fund or Account as may be necessary to make up a deficiency in any amounts required to be distributed from such Fund or Account.

For so long as the Bond Insurance Policy remains in full force and effect, the following valuation procedures will apply. In computing the amount in any Fund or Account held under the Indenture, Investment Securities purchased as an investment of moneys therein will be valued as of the end of each month, as follows: (i) for securities: (a) the closing bid price quoted by Interactive Data Systems, Inc.; (b) a valuation performed by a nationally recognized and accepted pricing service acceptable to the Bond Insurer, whose valuation method consists of the composite average of various bid price quotes on the valuation date; or (c) the lower of two dealer bids on the valuation date, with such dealers or their parent holding companies being rated at least investment grade by S&P and market makers in the securities being valued; (ii) as to certificates of deposit and bankers' acceptances, the face amount thereof, plus accrued interest; and (iii) as to any Investment Security not specified above, the value thereof established by prior agreement between the Bond Bank, the Trustee and the Bond Insurer.

### **Bond Bank Covenants**

The Bond Bank covenants and agrees that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in the Indenture, in any and every Bond executed, authenticated and delivered under the Indenture and in all of its related proceedings. The Bond Bank covenants and agrees: that it is duly authorized under the constitution and laws of the State, including particularly the Act, to issue the Bonds, to execute the Indenture and to pledge the Revenues and all other property pledged under the Indenture in the manner and to the extent set forth in the Indenture; that all action on its part for the issuance of the Bonds and the execution and delivery of the Indenture has been duly and effectively taken; and that the Bonds in the hands of their owners are and will be valid and enforceable limited obligations of the Bond Bank according to the terms of the Bonds and the Indenture.

The Bond Bank covenants and agrees that the Trustee may defend its rights to the payment of the Revenues for the benefit of the owners of the Bonds against the claims and demands of all persons whomsoever. The Bond Bank covenants and agrees that it will do, execute, acknowledge and deliver, or cause to be done, executed, acknowledged and delivered, such supplemental indentures and such further acts, instruments and transfers as the Trustee may reasonably require for the better assuring, transferring, pledging, assigning and confirming unto the Trustee all and singular the rights assigned by the Indenture and the amounts and other property pledged under the Indenture to the payment of the principal of and interest on the Bonds.

In order to provide for the payment of the principal of, premium, if any, and interest on the Bonds and Program Expenses, the Bond Bank will from time to time, with all practical dispatch and in a sound and economical manner consistent in all respects with the Act, the provisions of the Indenture and sound banking practices and principles, (i) do all such acts and things as are necessary to receive and collect the Revenues (including enforcement of the prompt collection of all arrears on Qualified Obligations), and (ii) diligently enforce, and take all steps, actions and proceedings reasonably necessary in the judgment of the Bond Bank to protect its rights with respect to or to maintain any insurance on Qualified Obligations and to enforce all terms, covenants and conditions of Qualified Obligations including the collection, custody and prompt application of all escrow payments required by the terms of a Qualified Obligation for the purposes for which they were made. Whenever necessary in order to provide for the payment of the Bonds, the Bond Bank will commence appropriate remedies with respect to any Qualified Obligation which is in default.

With respect to the Qualified Obligations purchased by the Bond Bank, the Bond Bank covenants as follows:

- (a) The Bond Bank will not permit or agree to any material change in the Qualified Obligations (other than one for which consent by the Bond Bank is not required) unless the Bond Bank supplies the Trustee and S&P with a Cash Flow Certificate, to the effect that, after such change, Revenues expected to be received in each Fiscal Year and other available money in Funds and Accounts, will at least equal the debt service on all Outstanding Bonds in each such Fiscal Year.
- (b) Only to the extent that such action would not adversely affect the validity of the Qualified Obligations or other obligations of the Qualified Entity, the Bond Bank will pursue the remedy set forth in the Act, including particularly Indiana Code 5-1.5-8-5, for the collection of deficiencies in Qualified Obligation Payments on any Qualified Obligation by collection of such deficiencies out of certain State funds payable but not yet paid to a defaulting Qualified Entity.
- (c) The Bond Bank will also enforce or authorize the enforcement of all remedies available to owners or holders of Qualified Obligations, unless the Bond Bank provides the Trustee with a Cash Flow Certificate to the effect that if such remedies are not enforced, Revenues expected to be received in each Fiscal Year, together with moneys expected to be held in the Funds and Accounts, will at least equal the debt service due on all Outstanding Bonds in each such Fiscal Year; provided, however, that decisions as to the enforcement of remedies will be within the sole discretion of the Trustee.
- (d) The Bond Bank will not sell or dispose of any Qualified Obligations unless the Bond Bank provides the Trustee with a Cash Flow Certificate, to the effect that after such sale, Revenues expected to be received in each Fiscal Year, together with moneys expected to be held in the Funds and Accounts, minus any proceeds of such sale to be transferred from any Fund or Account, will at least equal the debt service due on all Outstanding Bonds in each such Fiscal Year. Proceeds of

such sales will be invested only in Government Obligations or in Qualified Obligations or disbursed as provided in the Indenture.

### **Cash Flow Certificates and Verifications**

At any time that the provisions of the Indenture require that a Cash Flow Certificate be prepared, such certificate will set forth:

- (e) the Revenues expected to be received on all Qualified Obligations purchased with proceeds of the Bonds or with Revenues expected to be available for the purpose of financing additional Qualified Obligations;
- (f) all other Revenues, including the interest to be earned and other income to be derived from the investment of the Funds and Accounts and the rate or yields used in estimating such amounts;
- (g) all money expected to be in the Funds and Accounts;
- (h) the amount, if any, expected to be withdrawn from the Debt Service Reserve Fund, but only if the amount on deposit in the Debt Service Reserve Fund is expected to at least equal the Reserve Requirement immediately after such withdrawal and such withdrawal is permitted by the Indenture;
- (i) the debt service due on all Bonds expected to be Outstanding during each Fiscal Year; and
- (j) the amount, if any, of Program Expenses expected to be paid from the Revenues.

In making any Cash Flow Certificate, the accountant or firm of accountants may contemplate the payment or redemption of Bonds for the payment or redemption of which amounts have been set aside in the Redemption Account. The issuance of Bonds, the making of transfers from one Fund to another and the deposit of amounts in any Fund from any other source may be contemplated in a Cash Flow Certificate only to the extent that such issuance, deposit or transfer has occurred prior to or will occur substantially simultaneously with the delivery of such Cash Flow Certificate. The accountant or firm of accountants must also supply supporting schedules appropriate to show the sources and applications of funds used, identifying particularly amounts to be transferred between Funds, amounts to be applied to the redemption or payment of Bonds and amounts to be used to provide for Costs of Issuance, the capitalized interest, if any, for the respective Series. In the case of each annual Cash Flow Certificate, the amounts of existing Qualified Obligations, existing Investment Securities and existing cash will be the amounts as of the last day of the preceding Fiscal Year. In the case of any other Cash Flow Certificate such amounts will be the amounts as of the last day of the month preceding the month in which the Cash Flow Certificate is delivered but will be adjusted to give effect to scheduled payments of principal of and interest on Qualified Obligations, actual payments or proceeds with respect to Investment Securities and actual expenditures of cash expected by the Bond Bank through the end of the then current month.



The Bond Bank and/or the Trustee from time to time may cause a firm of independent certified public accountants of national standing or other nationally recognized experts to supply the Bond Bank and the Trustee with such information as the Bond Bank or the Trustee may request in order to determine in a manner reasonably satisfactory to the Bond Bank and the Trustee all matters relating to the sufficiency of projected cash flow receipts and disbursements with respect to the Funds and Accounts to pay the principal of and interest on the Bonds and Program Expenses.

### **Accounts and Reports**

The Bond Bank will keep proper books of record and accounts in which complete and correct entries will be made of its transactions relating to the Program and the Funds and Accounts established by the Indenture. Such books and all other books and papers of the Bond Bank and all Funds and Accounts will, at all reasonable times, be subject to the inspection of the Trustee and the owners of an aggregate of not less than 5% in principal amount of Bonds then Outstanding or their representatives duly authorized in writing.

Before the twentieth day of each month, the Trustee will provide the Bond Bank with a statement of the amounts on deposit in each Fund and Account as of the first day of that month and the total deposits to and withdrawals from each Fund and Account during the preceding month. The Bond Bank may provide for less frequent statements so long as such statements are supplied no less frequently than quarterly.

### **Covenant to Monitor Investments**

The Bond Bank covenants and agrees to regularly review the investments held by the Trustee in the Funds and Accounts under the Indenture in order to assure that the Revenues derived from such investments are sufficient to provide, together with other anticipated Revenues, for the payment of the debt service on Outstanding Bonds.

### **Limitation on Additional Bonds**

The only additional Bonds that may be issued under the Indenture are Refunding Bonds issued solely to refund all or any part of the outstanding Bonds.

The Indenture creates a continuing pledge and lien to secure the full and final payment of the principal of, redemption premium, if any, and interest on all Bonds and authorizes the issuance of one or more Series of Bonds under separate Supplemental Indentures. The Indenture establishes the requirements for each Supplemental Indenture and provides that no Series of Bonds will be issued under a Supplemental Indenture unless certain conditions are met, including the receipt by the Trustee of a Cash Flow Certificate to the effect that, immediately after the issuance of such Bonds, Revenues in each Fiscal Year, together with moneys expected to be held in the Funds and Accounts, will at least equal the debt service on all Bonds in each such Fiscal Year, including such Bonds. Such certificate will not be required in the case of Refunding Bonds if the debt service in each Fiscal Year on all Bonds after the issuance of such Refunding Bonds will be equal to or less than such debt service for each Fiscal Year on all Bonds Outstanding before the issuance of the Refunding Bonds.

## **Discharge of Indenture**

If payment or provision for payment is made to the Trustee of the principal of, and interest on, the Bonds due and to become due under the Indenture, and if the Trustee receives all payments due and to become due under the Indenture, then the Indenture may be discharged in accordance with its provisions. In the event of any early redemption of Bonds in accordance with their terms, the Trustee must receive irrevocable instructions from the Bond Bank, satisfactory to the Trustee, to call such Bonds for redemption at a specified date and pursuant to the Indenture. Outstanding Bonds will be payable only out of the money or securities held by the Trustee for the payment of the principal of, redemption premium, if any, and interest on the Bonds.

Any Bond or Series of Bonds or portion thereof will be deemed to be paid when (a) payment of the principal of that Bond or Series of Bonds, plus interest to its due date, either (i) has been made in accordance with its terms or (ii) has been provided for by irrevocably depositing with the Trustee, in trust and exclusively for such payment, (A) moneys (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized by Governmental Obligations) sufficient to make such payment, (B) Governmental Obligations maturing as to principal and interest in such amounts and at such times, without consideration of any reinvestments thereof, as will insure the availability of sufficient money to make such payments, or (C) a combination of such money and Governmental Obligations, and (b) all necessary and proper fees and expenses of the Trustee pertaining to the Bonds.

## **Defaults and Remedies**

### **D. Events of Default.**

Any of the following events constitutes an “Event of Default” under the Indenture:

- (a) Default in the due and punctual payment of any interest on any Bond;
- (b) Default in the due and punctual payment of the principal of any Bond, whether at stated maturity or on any date fixed for redemption;
- (c) Failure of the Bond Bank to remit any moneys required by the Indenture to the Trustee within the time limits prescribed in the Indenture;
- (d) Default in the performance or observance of any other covenants, agreements or conditions on the part of the Bond Bank contained in the Indenture or in the Bonds and failure to remedy the same within 60 days after receipt of notice, all in accordance with the Indenture;
- (e) Any warranty, representation or other statement by or on behalf of the Bond Bank contained in the Indenture or in any instrument furnished in compliance with or in reference to the Indenture is found to be false or misleading in any material respect when made and there has been a failure to remedy the same within 60 days after receipt of notice, all in accordance with the Indenture;

- (f) A petition is filed against the Bond Bank under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, whether now or hereafter in effect, and is not dismissed within 60 days after such filing;
- (g) The Bond Bank files a voluntary petition in bankruptcy or seeking relief under any provisions of any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, whether now or hereafter in effect, or consents to the filing of any petition against it under such law;
- (h) The Bond Bank is generally not paying its debts as such become due, or becomes insolvent or bankrupt or makes an assignment for the benefit of creditors, or liquidator or trustee of the Bond Bank or any of its property is appointed by court order or takes possession and such order remains in effect or such possession continues for more than 60 days;
- (i) The Bond Bank is rendered incapable of fulfilling its obligations under the Indenture for any reason.

E. Trustee's Rights and Remedies.

No default described under subparagraphs (d) or (e) above will constitute an Event of Default until actual notice of the default by registered or certified mail has been given to the Bond Bank by the Trustee or by the Owners of not less than 25% in aggregate principal amount of all Bonds then Outstanding and the Bond Bank has had 60 days after receipt of the notice to correct such default within the applicable period. If such default is correctable but cannot be corrected within the applicable period, it will not constitute an Event of Default if corrective action is instituted by the Bond Bank within the applicable period and diligently pursued until the default is corrected.

Upon the occurrence of an Event of Default, the Trustee will notify the Bond Insurer and the owners of all Bonds then Outstanding of such Event of Default by registered or certified mail, and upon receiving the express written consent of the Bond Insurer with respect to exercising any such remedies in connection with the Bonds if the Bond Insurance Policy is in full force and effect at such time, will have the following rights and remedies:

- (a) The Trustee may pursue any available remedy at law or in equity or by statute to enforce the payment of the principal of and interest on Outstanding Bonds, including enforcement of any rights of the Bond Bank or the Trustee under the Qualified Obligations;
- (b) The Trustee may by action or suit in equity require the Bond Bank to account as if it were the trustee of an express trust for the owners of the Bonds and may take such action with respect to the Qualified Obligations as the Trustee deems necessary or appropriate and in the best interest of the Owners of Bonds, subject to the terms of those Qualified Obligations;

- (c) Upon the filing of a suit or other commencement of judicial proceedings to enforce any rights of the Trustee and of the Owners of Bonds under the Indenture, the Trustee will be entitled, as a matter of right, to the appointment of a receiver or receivers of the Trust Estate and of the Revenues, issues, earnings, income, products and profits thereof, pending such proceedings, with such powers as the court making such appointment will confer; provided, however, for so long as the Bond Insurance Policy is in full force and effect, any reorganization or liquidation plan with respect to the Bond Bank must be acceptable to the Bond Insurer, and in the event of any reorganization or liquidation, the Bond Insurer will have the right to vote on behalf of the holders of the Bonds; and
- (d) The Trustee may declare the principal of and accrued interest on all Bonds to be due and payable immediately in accordance with the provisions of the Indenture and the Act, by notice to the Bond Bank and the Attorney General of the State; provided, however, for so long as the Bond Insurance Policy is in full force and effect, the Trustee may, with the consent of the Bond Insurer, and will, at the direction of the Bond Insurer or 25% of the holders of the Bonds with the consent of the Bond Insurer, by written notice to the Bond Bank, the Attorney General of the State and the Bond Insurer, declare the principal of the Bonds to be immediately due and payable, whereupon that portion of the principal of the Bonds thereby coming due and the interest thereon accrued to the date of payment will, without further action, become and be immediately due and payable, anything in the Indenture or the Bonds to the contrary notwithstanding.

If an Event of Default has occurred, if requested to do so in writing by the holders of 25% or more in aggregate principal amount of Outstanding Bonds and if indemnified as provided in the Indenture, the Trustee will be obligated to exercise such of the rights, remedies and powers conferred by the Indenture, as the Trustee, being advised by counsel, deems most expedient in the interests of the holders of the Bonds.

The Owners of a majority in aggregate principal amount of Bonds then Outstanding will have the right, at any time during the continuance of an Event of Default, by a written instrument or instruments executed and delivered to the Trustee, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture or for the appointment of a receiver or any other proceedings under the Indenture.

Anything in the Indenture to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default and for so long as the Bond Insurance Policy remains in full force and effect, the Bond Insurer will be entitled to control and direct the enforcement of all rights and remedies granted to the holders of the Bonds or the Trustee for the benefit of the holders of the Bonds under the Indenture, including, without limitation: (i) the right to accelerate the principal of the Bonds as described in the Indenture; and (ii) the right to annul any declaration of acceleration. The Bond Insurer will also be entitled to approve all waivers of Events of Default.

F. Waivers of Events of Default.

At its discretion, the Trustee may waive any Event of Default and its consequences, and must do so upon the written request of the owners of (i) more than 66 2/3% in aggregate principal amount of all the Bonds then Outstanding in respect of which an Event of Default in the payment of principal or interest exists or (ii) more than 50% in aggregate principal amount of all Bonds then Outstanding in the case of any other Event of Default. However, there may not be waived (A) any Event of Default in the payment of the principal of any Outstanding Bond at the specified date of maturity or (B) any Event of Default in the payment when due of the interest on any Outstanding Bond unless, prior to the waiver, all arrears of interest or principal due, as the case may be, with interest on overdue principal at the rate borne by such Bond, and all expenses of the Trustee in connection with the Event of Default have been paid or provided for. In case of any such waiver, or in case any proceeding taken by the Trustee on account of any such Event of Default has been discontinued or abandoned or determined adversely, then the Bond Bank, the Trustee and the owners of Bonds will be restored to their former respective positions and rights under the Indenture. No waiver will extend to any subsequent or other Event of Default or impair any rights consequent thereon. Notwithstanding the foregoing, for so long as the Bond Insurance Policy remains in full force and effect, the Bond Insurer will control all proceedings and the exercise of all rights or remedies with respect to the Bonds.

G. Rights and Remedies of Owners of Bonds.

No owner of any Bond will have any right to institute any proceeding at law or in equity for the enforcement of the Indenture or for the execution of any trust thereof or for the appointment of a receiver or any other remedy under the Indenture, unless (i) an Event of Default has occurred, (ii) the owners of not less than 25% in aggregate principal amount of Bonds then Outstanding have made written request to the Trustee and have offered the Trustee reasonable opportunity either to proceed to exercise the remedies granted in the Indenture or to institute such action, suit or proceeding in its own name, (iii) such owners of Bonds have offered to indemnify the Trustee, as provided in the Indenture, and (iv) the Trustee has refused, or for 60 days after receipt of such request and offer of indemnification has failed, to exercise the remedies granted in the Indenture or to institute such action, suit or proceeding in its own name. All proceedings at law or in equity must be carried out as provided in the Indenture and for the equal and ratable benefit of the owners of all Outstanding Bonds. However, nothing contained in the Indenture will affect or impair the right of any owner of Bonds to enforce the payment of the principal of and interest on any Bond at and after its maturity, or the limited obligation of the Bond Bank to pay the principal of and interest on each of the Bonds to the respective owners of the Bonds at the time and place, from the source and in the manner expressed in the Bonds. Notwithstanding the foregoing, for so long as the Bond Insurance Policy remains in full force and effect, the Bond Insurer will control all proceedings and the exercise of all rights or remedies with respect to the Bonds.

**Nonpresentment of Bonds**

If any Bond issued under the Indenture is not presented for payment when the principal becomes due, either at maturity, or at the date fixed for redemption, or as set forth in any Supplemental Indenture regarding deemed tenders or redemptions or otherwise, and if funds

sufficient to pay such Bond have been made available to the Trustee for the benefit of the owner thereof, all liability of the Bond Bank to the owner thereof for the payment of such Bond will forthwith cease, terminate and be completely discharged, and thereupon it will be the duty of the Trustee to hold such funds uninvested for five (5) years, for the benefit of the owner of such Bond, without liability for interest thereon to such owner, who will thereafter be restricted exclusively to such funds, for any claim of whatever nature on its part under the Indenture or on, or with respect to, such Bond.

Any money so deposited with and held by the Trustee in trust for the payment of the principal of and interest on the Bonds and remaining unclaimed by any Bondholder for five (5) years after the due date of such principal or interest, will be applied by the Trustee in accordance with the Unclaimed Property Act, Indiana Code 32-9-1.5, as amended from time to time. Prior to the transfer of any such moneys to the Attorney General of the State in accordance with the Unclaimed Property Act, the Trustee will conduct searches in an effort to locate lost Bondholders using reasonable care to ascertain the correct addresses of all lost Bondholders in accordance with the rules governing registered transfer agents promulgated by the Securities and Exchange Commission pursuant to the Securities Act of 1934, as amended, but only if and so long as the Trustee is a registered transfer agent under those rules. Upon the transfer of such moneys to the Attorney General of the State in accordance with the Unclaimed Property Act, the Bond Bank and the Trustee will have no further responsibility or liability with respect to such moneys, and the Bondholders entitled to such principal or interest will look only to the State for payment, to the extent provided by law, and then only to the extent of the amounts so received by the State, without any interest thereon.

### **Other Obligations Payable from Revenues**

The Bond Bank will grant no liens or encumbrances on or security interests in the Trust Estate (other than those created by the Indenture), and, except for the Bonds, will issue no bonds or other evidences of indebtedness payable from the Trust Estate.

### **Limitations on Obligations of Bond Bank**

The Bonds, together with interest thereon, are limited obligations of the Bond Bank payable solely from the Revenues of the Bond Bank and will be a valid claim of the respective owners thereof only against the Funds and Accounts, established under the Indenture and the Qualified Obligations acquired by the Trustee, all of which are assigned and pledged for the equal and ratable payment of such Bonds and will be used for no other purpose than the payment of the Bonds, except as may be otherwise expressly authorized in the Indenture. The Bonds do not constitute a debt, or liability of the State, or of any political subdivision thereof, but will be payable solely from the Revenues and funds pledged therefor in accordance with the Indenture. The issuance of the Bonds under the provisions of the Act does not directly, indirectly or contingently, obligate the State or any political subdivision thereof to levy any form of taxation for the payment thereof or to make any appropriation for their payment and such Bonds and the interest payable thereon do not now and will never constitute a debt of the State or any political subdivision thereof within the meaning of the constitution of the State or the statutes of the State and such Bonds do not now and will never constitute a charge against the credit or taxing power of the State or any political subdivision thereof. Neither the State nor any agent, attorney,

member or employee of the State or of the Bond Bank, will in any event be liable for the payment of the principal of, and premium, if any, or interest on the Bonds or damages, if any, for the nonperformance of any pledge, mortgage, obligation or agreement of any kind whatsoever which may be undertaken by the Bond Bank. No breach by the Bond Bank of any such pledge, mortgage, obligation or agreement may impose any liability, pecuniary or otherwise, upon the State or any of the State's or the Bond Bank's agents, members, attorneys and employees or any charge upon the general credit of the State, nor any political subdivision thereof.

### **Immunity of Officers and Directors**

No recourse will be had for the payment of the Bonds or for any claim based thereon or upon any obligation, covenant or agreement in the Indenture contained against any past, present or future officer, member, director, agent or employee of the Bond Bank, or any officer, member, director, trustee, agent or employee of any successor entities thereto, as such, either directly or through the Bond Bank, or any successor entities, under any rule of law or equity, statute or constitution or by the enforcement of any assessment or penalty or otherwise, and all such liability of any such officers, members, directors, trustees, agents, or employees as such, is hereby expressly waived and released as a condition of and consideration for the execution of the Indenture and issuance of such Bonds.

### **Supplemental Indentures**

The Bond Bank and the Trustee may with the prior written consent of the Bond Insurer for so long as the Bond Insurance Policy remains in full force and effect, but, without the consent of, or notice to, any of the Bondholders, enter into any indenture or indentures supplemental to the Indenture for any one or more of the following purposes:

- (a) To cure any ambiguity, formal defect or omission in the Indenture;
- (b) To grant to or confer upon the Trustee for the benefit of the Bondholders any additional benefits, rights, remedies, powers or authorities that may lawfully be granted to or conferred upon the Bondholders or the Trustee, or to make any change which, in the judgement of the Trustee, does not materially and adversely affect the interest of the owners of Outstanding Bonds and does not require unanimous consent of the Bondholders pursuant to the Indenture;
- (c) To subject to the Indenture additional Revenues, properties or collateral;
- (d) To modify, amend or supplement the Indenture or any indenture supplemental thereto in order to permit qualification under the Trust Indenture Act of 1939 or any similar federal statute hereafter in effect or to permit the qualification of the Bonds for sale under the securities laws of the United States of America or of any of the states of the United States of America, and, if the Bond Bank and the Trustee so determine, to add to the Indenture or to any indenture supplemental thereto such other terms, conditions and provisions as may be permitted by the Trust Indenture Act of 1939 or similar federal statute;

- (e) To evidence the appointment of a separate or co-trustee or the succession of a new Trustee under the Indenture or the succession of a new registrar and/or paying agent;
- (f) In connection with the issuance of Refunding Bonds;
- (g) To provide for the refunding of all or a portion of the Bonds issued under the Indenture; and
- (h) To amend the Indenture to permit the Bond Bank to comply with any future federal tax law or any covenants contained in any Supplemental Indenture with respect to compliance with future federal tax law.

With the exception of Supplemental Indentures for the purposes described in the preceding paragraph and subject to the terms of the Indenture, the owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding which are affected (other than Bonds held by the Bond Bank) have the right, from time to time, to consent to and approve the execution by the Bond Bank and the Trustee of any other indenture or indentures supplemental thereto as are deemed necessary and desirable by the Trustee for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture or in any Supplemental Indenture, but only with the express written consent of the Bond Insurer for so long as the Bond Insurance Policy remains in full force and effect. However, no Supplemental Indenture may permit or be construed as permitting, without the consent of the owners of all then Outstanding Bonds and the Bond Insurer for so long as the Bond Insurance Policy remains in full force and effect, (i) an extension of the maturity dates of the principal of or the interest or redemption date on, any Bonds, or (ii) a reduction in the principal amount of any Bond or a change in the redemption premium or the rate of interest on any Bond, or (iii) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or (iv) a reduction in the aggregate principal amount of the Bonds required for consent to such Supplemental Indenture, or (v) the creation of any lien securing any Bonds, other than a lien ratably securing all of the Bonds at any time Outstanding, or (vi) any modification of the trusts, powers, rights, obligations, duties, remedies, immunities and privileges of the Trustee without the written consent of the Trustee.

### **Trustee**

By executing the Indenture, the Trustee accepts the trusts and duties imposed upon it by the Indenture, and agrees to perform such trusts and duties with the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs, but only upon and subject to the express terms and conditions of the Indenture.

The Trustee covenants and agrees to retain or cause its agent to retain possession of each Qualified Obligation and a copy of the transcript or documents related thereto and release them only in accordance with the provisions of the Indenture. The Bond Bank and the Trustee covenant and agree that all books and documents in their possession relating to the Qualified



Obligations will at all times be open to inspection by such accountants or other agencies or persons as the Bond Bank or the Trustee may from time to time designate.

The Trustee and any successor Trustee may at any time resign from the trusts created by the Indenture by giving 30 days' written notice by registered or certified mail to the Bond Bank, the owner of each Bond as shown by the list of Bondholders required by the Indenture to be kept at the office of the Trustee, and, for so long as the Bond Insurance Policy remains in full force and effect, the Bond Insurer. Such resignation will take effect upon the appointment of a successor Trustee and acceptance of such appointment by the successor Trustee. Notwithstanding any other provision of the Indenture and for so long as the Bond Insurance Policy remains in full force and effect, no resignation or termination of the Trustee will take effect until a successor Trustee, acceptable to the Bond Insurer, is appointed.

The Trustee may be removed at any time with or without cause by instrument or concurrent instruments in writing delivered to the Trustee and to the Bond Bank and signed by the owners of a majority in aggregate principal amount of all Bonds then Outstanding or their attorneys-in-fact duly authorized, but only with the express written consent of the Bond Insurer for so long as the Bond Insurance Policy remains in full force and effect. Notice of the removal of the Trustee will be given as described in the paragraph above. So long as no Event of Default, or an event which with the passage of time would become an Event of Default, has occurred and is continuing, the Trustee may be removed at any time for cause by resolution of the Bond Bank filed with the Trustee. For so long as the Bond Insurance Policy remains in full force and effect, the Trustee may be removed at any time, at the request of the Bond Insurer, for any breach of the trust set forth in the Indenture. Notwithstanding any other provision of the Indenture and for so long as the Bond Insurance Policy remains in full force and effect, no removal or termination of the Trustee will take effect until a successor Trustee, acceptable to the Bond Insurer, is appointed.

In case the Trustee resigns or is removed, or is dissolved, or is in course of dissolution or liquidation, or otherwise becomes incapable of acting under the Indenture, or in case it is taken under the control of any public officer or officers, or of a receiver appointed by a court, a successor may be appointed by the owners of a majority in aggregate principal amount of all Bonds then Outstanding under the Indenture by an instrument or concurrent instruments in writing signed by such owners, or by their attorneys-in-fact duly authorized, a copy of which will be delivered personally or sent by registered mail to the Bond Bank. Nevertheless, in case of such vacancy, the Bond Bank by resolution may appoint a temporary Trustee to fill such vacancy. Within ninety days after such appointment, the Bondholders may appoint a successor Trustee, and any such temporary Trustee so appointed by the Bond Bank will become the successor Trustee if no appointment is made by the Bondholders within such period, but in the event an appointment is made by the Bondholders, such temporary Trustee will immediately and without further act be superseded by any Trustee so appointed by such Bondholders. Notice of the appointment of a temporary or successor Trustee will be given in the same manner provided above with respect to the resignation of a Trustee. Every such Trustee so appointed will be a trust company or bank having its principal place of business in the State, will be duly authorized to exercise trust powers, will be subject to examination by federal or state authority, will have a reported capital and surplus of not less than \$75,000,000, and, for so long as the Bond Insurance

Policy remains in full force and effect, will be acceptable to the Bond Insurer, if there is such an institution willing, qualified and able to accept the trust upon reasonable or customary terms.

## **APPENDIX E-2**

### **TERMS OF PURCHASE AGREEMENTS**

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## TERMS OF PURCHASE AGREEMENTS

In connection with the purchase of the Qualified Obligations of each Qualified Entity described in Appendix A, with the exception of the School Town of Highland, the Bond Bank will enter into a Purchase Agreement with each such Qualified Entity (a “Qualified Entity Purchase Agreement”) pursuant to which the Bond Bank will, concurrently with the issuance of the Bonds, use the Bond proceeds to purchase such Qualified Obligations at a purchase price equal to the par amount of the Qualified Obligations. With respect to the Qualified Obligations of the School Town of Highland, the Bond Bank will enter into a Purchase Agreement with City Securities Corporation (the “CSC Purchase Agreement”), pursuant to which the Bond Bank will, concurrently with the issuance of the Bonds, use the Bonds proceeds to purchase the Qualified Obligations of the School Town of Highland from City Securities Corporation at a purchase price equal to \$1,980,000 (the par amount of such Qualified Obligations) plus a premium and accrued interest. City Securities Corporation purchased the School Town of Highland’s Qualified Obligations from it on June 28, 2002.

Under the terms of the Qualified Entity Purchase Agreements, (a) the Qualified Entity agrees (i) that it has taken all proceedings required by law to enable it to issue its Qualified Obligations to be purchased by the Bond Bank, (ii) to furnish to the Bond Bank, as long as any of its Qualified Obligations remain outstanding, annual financial reports, audit reports and such other financial information as is reasonably requested by the Bond Bank, (iii) to furnish to any bondholders, including the Bond Bank, a transcript of proceedings relating to its Qualified Obligations and a bond counsel opinion as to, among other things, the validity of its Qualified Obligations and (iv) to not issue any obligations or allow any obligations to be issued for or on its behalf, the proceeds of which would be used in whole or in part to refund all or any portion of the Qualified Obligations unless the Qualified Entity provided the Bond Bank with a Cash Flow Certificate (as defined in the Indenture) which showed that such refunding would not have an adverse effect on the Bond Bank’s ability to pay debt service on the Bonds, (b) the Qualified Obligations and the payments to be made thereon may be pledged or assigned by the Bond Bank under and pursuant to the Indenture, and (c) the Bond Bank is obligated to purchase the Qualified Obligations solely from the proceeds of the Bonds. In addition, if the Bond Bank determines to sell all or part of the Qualified Obligations, it agrees to pay or reimburse the Qualified Entity for all costs associated therewith including the printing of bonds, obtaining ratings therefor and providing services of a registrar and paying agent therefor.

Under the terms of the CSC Purchase Agreement, City Securities Corporation agrees to furnish to the Bond Bank a transcript of proceedings relating to the School Town of Highland’s Qualified Obligations and a bond counsel opinion as to, among other things, the validity of such Qualified Obligations. The School Town of Highland has agreed to furnish to the Bond Bank, as long as any of the Qualified Obligations remain outstanding, annual financial reports, audit reports and such other financial information as is reasonably requested by the Bond Bank. In connection with the execution of the CSC Purchase Agreement, a representative of the School Town of Highland will execute a certificate agreeing to not issue any obligations, the proceeds of which would be used in whole or in part to refund all or any portion of its Qualified Obligations unless the School Town of Highland provides the Bond Bank with a Cash Flow Certificate

which shows that such refunding would not have an adverse effect on the Bond Bank's ability to pay debt service on the Bonds. The School Town of Highland's Qualified Obligations and the payments to be made thereon may be pledged or assigned by the Bond Bank under and pursuant to the Indenture and the Bond Bank is obligated to purchase the Qualified Obligations solely from the proceeds of the Bonds. In addition, if the Bond Bank determines to sell all or part of the Qualified Obligations, it agrees to pay or reimburse the Qualified Entity for all costs associated therewith including the printing of bonds, obtaining ratings therefor and providing services of a registrar and paying agent therefor.